AVEXA LIMITED ABN 53 108 150 750

The directors present their report together with the financial statements of the Group comprising of Avexa Limited (the Company), and its subsidiaries for the financial year ended 30 June 2013 and the auditor's report thereon.

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Principal activities

There have been two principal activities for the Group during the course of the financial year. Firstly, the research and development, for commercialisation, of anti-infective pharmaceutical programs and projects and secondly, a due diligence process relating to investment in the North Pratt coal mine and subsequent permit issuance. 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.

Operating and financial review

During the year, Avexa's operations have focussed on progressing our late stage project apricitabine (ATC), the early stage HIV integrase and antibiotic projects, and extensive due diligence on the investment in the North Pratt coal mine.

The statement of comprehensive income shows a loss of $3.0 million (2012: $3.5 million) for the year. The Group has no bank debt. As at 30 June 2013 the Group had a cash position of $11.9 million (2012: $12.6 million). Operating activities incurred a cash outflow for the year of $0.7 million (2012: $3.8 million).

Partnership with Link for ATC

An important milestone was achieved for ATC in June 2013 with the signing of a major collaboration with Link Healthcare (Link). The collaboration covers the development, registration, sale and marketing of ATC in all major territories worldwide, with the exception of a handful of specialist market regions such as Taiwan, for which local specialist partners were announced in December 2012. The signing of the agreement with Link concluded an exhaustive examination of possible marketing partners from a detailed international search effort. Several advantages offered by Link influenced our final choice. Firstly, through their subsidiary Equity Pharma/Novagen, Link have a strong presence in Southern Africa, an important growing market for HIV drugs. Link's subsidiary Novagen Pharma is the second largest supplier of anti-retroviral drugs in the region, so the addition of ATC to their portfolio makes good commercial sense. Secondly, Link have a demonstrated expertise in growing sales of products for niche disease areas in developed countries.

The unique properties of ATC in targeting drug-resistant patients who have failed other treatments and have few other options for therapy means that such a niche sales approach targeting specialist centres is a particularly cost-effective approach. As more and more people are treated, the numbers of patients who subsequently fail first line drugs will increase. Indeed, recent data from the 7th IAS Conference in Kuala Lumpur shows that even with the most potent treatment regimens, nearly 20% of patients do not achieve undetectable levels of HIV in the blood, putting them at risk of the development of resistance. Yet many options for second and third line treatment are poorly tolerated, difficult to administer, or poorly effective. At the same time, the prospects for a vaccine against HIV are dismal; in April the US National Institute of Allergy and Infectious Diseases (NIAID) discontinued the only remaining HIV vaccine efficacy study as the vaccine did not prevent infection nor even reduce the viral load of those infected.

ATC's properties make it ideally suited to meeting the needs of these patients. Our continued interactions with patient advocates, community groups, scientists and medical practitioners indicate a clear medical need for ATC. In certain cases, where there is a demonstrable medical need for a promising new drug for serious, life-threatening conditions, special procedures may allow the provision of that drug prior to final approval. Such early access schemes (called the Special Access Scheme or SAS in Australia) can enable many more patients to access a drug than a clinical trial alone can. In certain countries, mechanisms for cost recovery of this process exist. We view this as an important part of our overall development plan for ATC. During the year, we have taken steps towards ensuring we have stocks of ATC ready for clinical trial use and for early access. Our current stocks of ATC are amply sufficient for the production all of the required clinical trial material.

Our efforts to push forward ATC's development have resulted in a number of articles and letters of support. A consensus letter calling for US Federal facilitation of ATC's development has been signed by institutions such as the World AIDS Institute, the Timothy Ray Brown Foundation, and the Cornell AIDS Clinical Trials Unit Community Advisory Board of the US National Institute of Health and others. A petition calling upon the US Government to expedite ATC's final approval has been sent to US Congressman Alcee Hastings and Congresswoman Maxine Waters from the President of World Health Clinicians, and continues to gather signatories. This petition is timely as a resolution to make Federal funding available for small biotech with promising new drugs is being put before the US Congress. We continue to look for alternative ways to support the development of ATC.

New opportunities for early stage projects

HIV Integrase Program

We have made good progress in our early stage projects this year. Our HIV integrase project has made substantial steps forward. HIV integrase is the target for the newest class of anti-retroviral drugs, which are already playing a major role in the construction of patient treatment regimens. HIV integrase catalyses the insertion of the HIV genome into the DNA of the cells, creating reservoirs of infected cells which may at any time start actively producing new viral particles. Inhibiting HIV integrase is not only highly effective in reducing the amount of virus in infected persons, but could also play a role in possible future strategies to attempt to clear the reservoir of virus, by preventing the formation of new reservoirs.

Current HIV integrase inhibitors have been commercially very successful despite limitations of twice daily administration or requirement for an additional pharmacological booster. Resistance to HIV integrase inhibitors is known to occur, and the mutations associated with this are known. Our HIV integrase project has targeted these two key areas (once daily administration without a pharmacological booster; active against resistant mutants) to build a commercial advantage. This last year has seen considerable success in both these key targets. Not only have we identified a series of compounds with excellent activity against both wild type and resistant mutant virus, two of these compounds have shown excellent pharmacokinetic profiles in both rats and non-human primates which clearly indicate the potential for once daily dosing. Having secured a grant from the Victorian State Government, we have initiated further manufacture of the current lead in order to continue to build on these results.

Whilst concentrating on pushing forward with the current lead compound, we are also encouraged that other compounds in the series remain to be further explored and could provide further leads. We have therefore initiated a number of patent applications to ensure that this potential rich vein is appropriately protected by a strong IP position.

Owing to the difficulties in raising funds for drug development in China, the first generation HIV integrase compounds out-licensed to SIOC have progressed slowly. These compounds, whilst presenting a possible opportunity in China owing to ease and cost of synthesis, have been superseded by our second generation in-house leads. Avexa does not expect that any significant progress in this area is likely to occur.

Antibiotic Programme

Together with our partner, Valevia, we have seen new possibilities open up for our antibiotic project. The demonstration of activity against the Clostridium bacterium has revealed an important new indication which is attracting interest. Infection with Clostridium is becoming more common with the prevalent use of antibiotics to treat other infections. Treatment with antibiotics often causes the additional unintended effect of killing the normal gut flora besides treating the intended infection. The absence of the usual flora in the gut paves the way for colonisation by harmful bacteria such as Clostridium. Often, the secondary Clostridium infection becomes a much greater problem than the first infection for which the antibiotics were prescribed, necessitating lengthy and costly hospital stays.

The rise of antibiotic resistance is only adding to this problem. The Office of the Chief Scientist in Australia released a paper in July 2013 which describes the rapidly rising threat of antibiotic resistance and calls for a global revival in antibiotic R&D. It states that "there is now a genuine threat of humanity returning to an era where mortality due to common infections is rife".

The ideal treatment for Clostridium would be effective locally at the site of the infection in the gastrointestinal mucosa, but not systemically (throughout the whole body) where treatment is not required. However, many current antibiotics must either be delivered intravenously (and therefore systemically) or are absorbed systemically after oral absorption. We believe that our lead compound AVX13616 may be particularly suited to the local treatment of the gut whilst avoiding systemic exposure. Importantly, we were able to show good activity against clinical isolates of bacteria from current hospital cases of disease.

Armed with these results and with support from Avexa, Valevia have succeeded in obtaining a grant from the UK Technology Strategy Board to undertake further pre-clinical studies in preparation for clinical studies. These studies are aimed at understanding the behaviour of the lead compound in its interaction with the whole body compartment, rather than its topical behaviour. The studies will also be used to try to identify potential species of compound related to the lead in vivo, and show the relevance or otherwise to the compounds mode of action. It is understood that such funding could open the way to further grants and increase the attractiveness of the lead compound to potential investors and/or development partners.

Corporate

North Pratt Investment

During the past year, an opportunity arose to invest in a coal mine in North Pratt, Alabama. Projections indicated that, for an investment of US$4M and a further loan of US$6M, Avexa could achieve an income stream that could underpin financing the development of ATC. Avexa's existing cash resources (refer to the Statement of Financial Position on page 19) are insufficient to fund the development of ATC through late stage, Phase III trials to marketing approval which the Directors conservatively estimate to be in the range of $30 million to $40 million. Given the current market capitalisation of Avexa and the current risk-averse equity capital markets, the Directors have concluded that a sufficiently large capital raise to fund these trials is unlikely to be achieved – at least in the short term. Further, and as explained in some detail in Avexa's 2012 Directors' Report, it has become very clear that the number of large pharmaceutical companies active in the area of HIV drug discovery and development has shrunk considerably. Despite extensive efforts, it has not proved possible to secure an out licensing deal of sufficient magnitude to fund these Phase III trials.

Avexa has undertaken comprehensive due diligence, including from external experts, over the proposed investment. The Alabama Coal Project's general location is near the township of Graysville in Jefferson County, some 15 miles north west of Birmingham in the State of Alabama in the United States of America. The North Pratt Coal Mine is an existing mine with an estimated 20 million tons of remaining in-situ coal reserves. A National Instrument 43-101 (a geological/ technical report) shows a measured resource of approximately 10.55 million clean recoverable tons of metallurgical coal. The life of the mine is about 15 years depending on production levels per annum. The mine, once operational, will employ up to 100 workers, working two shifts a day. The first coal is expected to be produced within nine to 12 months from commencement and Avexa expects to receive its first cash flow from its investment in approximately 18 months from commencement. The mine is budgeted to produce 660,000 tons of coal a year at full production, generating US$66 million in sales a year based on the economic assumption used in the business plan provided by Coal Holdings and revised coal sales price assumptions. The Directors are of the view that, barring any unforeseen contingency, the proposed investment in the Alabama Coal Project currently gives Avexa the best chance of locking in an annuity revenue stream to assist it in developing its portfolio of drug assets, as far as possible, in-house.

We have been advised, as of the date of publication, the principal set of permits required to commence mining operations are now ready to be issued by the Alabama authorities. After considerable deliberation and further due diligence, the Board is of the view that the potential revenues are still commercially attractive despite this delay. The delay is primarily the result of regulatory factors, including complying with the latest much stricter environmental conditions which are outside of the project's control. Upon Avexa formally entering into the proposed investment, mining and preparatory activities are expected to commence with first coal expected to be produced within nine to 12 months from commencement.

Preservation of cash – new premises

As part of our ongoing prudent management of existing cash reserves, we have completed a major relocation to much smaller premises. Our previous premises had been inherited as a result of a historical legacy from our previous parent company and were large and costly. Whilst we were offsetting these high costs as far as possible by sub-leasing unneeded space, we were determined to move to more appropriate premises as soon as possible. This reorganisation has now been completed. The transition has required considerable logistical effort, dealing with more than 15 years occupancy of the previous site by ourselves and our various predecessors. With our constant focus on containing spending, a great number of diverse tasks were undertaken by our small number of staff, in addition to all their usual workload. Their extraordinary efforts with this transition whilst continuing to carry on the company business are appreciated. The net effect of our removal to new premises has been a 90% reduction in rental expenses. Our overheads have also seen a similar significant reduction (refer Statement of Financial Position note 20). We will continue to ensure our operations remain nimble and prudent.

Portfolio investments

To seek returns to offset some of its fixed operating expenses Avexa has, in addition to placing funds in fixed deposits where deposit rates have been on a downward trend, made several liquid alternative investments through its wholly owned subsidiary AVI Capital Pty Ltd, to diversify its investment portfolio. During the year AVI Capital Pty Ltd, sold its substantial holding in Allied Healthcare Group (AHZ). The sale of AHZ shares for $2.4m realised a net gain of $0.8m on the initial investment. AVI Capital Pty Ltd continues to hold smaller holdings in two other listed entities. Realised gains in AVI Capital Pty Ltd for the period ending 30 June 2013 were $0.8m along with unrealised (paper) losses of $0.9m. These investments are not held on a long term basis.

About ATC

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

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

Capital and corporate structure

During the financial year ended 30 June 2013 there were no issues of shares.

Full details of movements in share capital for the year are detailed in Note 18 to the financial statements. There were no changes to the corporate structure of Avexa Limited during the financial year ended 30 June 2013.

Unissued shares under option

During the year nil (2012: nil) options to acquire ordinary shares were issued to staff, nil (2012: nil) to executive officers, nil (2012: $nil) to the Interim CEO/Chief Scientific Officer and nil (2012: 5,000,000) to directors. Nil (2012: $5,000,000) options were exercised during the financial year for total proceeds of $nil (2012: $nil). 3,080,000 (2012: 5,990,000) options lapsed during the financial year and nil (2012: 1,360,000) options were forfeited upon the departure of directors or employees during the financial year.

At 30 June 2013 there were 4,190,000 options (30 June 2012: 7,270,000) on issue to directors, executives and employees. There have been 3,080,000 (2012: 7,350,000) options lapsed or forfeited, nil (2012: nil) approved to be issued and nil (2012: nil) exercised after the reporting date and up to the date of this report, such that at the date of this report unissued ordinary shares of the Group under option are as shown in the following table.

Number of options on issue at the date of this report	Exercise price when granted	Adjusted Exercise Price	Expiry date
Employee options:			
190,000	$0.13	$0.13	18 June 2014
190,000			
Non-employee options:			
4,000,000	$0.06	n/a	31 Dec 2013
4,190,000			

Directors

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

Name, qualification and independence status (age)	Experience, special responsibilities and other directorships
Mr Iain Kirkwood Independent Non-Executive Chairman (61) *Qualifications: MA (Hons) Oxon, FCPA, CA, MAICD*	Mr Kirkwood was appointed as Non-Executive Chairman on 18 April 2011 and is Chairman of the Avexa Audit Committee and a member of the Avexa Remuneration and Nomination Committee. He has extensive operational, financial, general management and Boardroom experience, particularly in the life sciences industry. He is currently serving as Chairman of Bluechiip Limited (ASX.BCT), Chairman of MHM Metals Ltd (ASX.MHM) and as a Non-Executive Director of Vision Eye Institute Ltd. (ASX.VEI). During his career Mr Kirkwood has worked with a number of ASX listed companies in senior management roles, including Woodside Petroleum Ltd. and Santos Ltd, and was previously the CFO of F.H. Faulding & Co. Ltd. and CEO of EpiTan Ltd. (now Clinuvel Pharmaceuticals Ltd).
Mr Bruce Hewett Independent Non-Executive Director (58) *Qualifications: BAppSc. (Pharmacy), GAICD*	Mr Hewett joined the Board on 6 July 2010 as a Non-Executive Director of the Company and is a member of the Avexa Audit Committee and Chairman of the Avexa Remuneration and Nomination Committee. He brings more than 25 years experience in the pharmaceutical and healthcare industries. He is a Non-Executive Director of the private pharmaceutical company Vector Pharma Holdings Ltd and is currently Managing Director of RxConnect International Pty Ltd a pharmaceutical industry consulting firm. Mr Hewett has held senior roles with Janssen-Cilag, Faulding Pharmaceutical and founded specialist pharmaceutical company Max Pharms.
Mr Allan Tan Independent Non-Executive Director (47) *Qualifications: LLB (Hons) University of Buckingham (U.K)* *Barrister-at-Law (Gray's Inn)* *MA London-Guildhall University (U.K)*	Mr Tan joined the Board on 1 December 2010. He is a Non-Executive Director of the Company and is a member of both the Avexa Audit Committee and the Avexa Remuneration and Nomination Committee. He is also an Independent Director of Singapore listed companies, Adventus Holdings Limited and CNMC Goldmine Holdings Limited. Mr Tan is a partner in a Singapore law firm, Colin Ng and Partners LLP.

Company Secretary

Mr Lee Mitchell BA LLM.

Mr Mitchell was appointed as Company Secretary of Avexa Limited on 1 December 2010. He is a qualified lawyer and has practiced in corporate and commercial law for over 15 years.

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 shown following.

Director	Number of ordinary Shares	Number of options to acquire ordinary shares
Mr I Kirkwood	9,150,000	2,000,000
Mr B Hewett	2,000,000	1,000,000
Mr A Tan	-	1,000,000

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 (i)	Attended	Held (i)	Attended	Held (i)
Mr I Kirkwood	10	10	3	3	1	1
Mr B Hewett	10	10	3	3	1	1
Mr A Tan	10	10	3	3	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

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

Environmental regulation

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

Events subsequent to reporting date

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

The Alabama Department of Environmental Management has confirmed that a permit to mine is now ready be issued as soon as the requisite bond monies are deposited. Avexa is now in a position to activate its investment subject to the Board being satisfied with final, closing due diligence. Further, Avexa intends to obtain financing to partially fund its participation in the investment in order to preserve cash and allow a contemporaneous investment in the ATC project (refer above). The closing due diligence and financing arrangements, when completed, will allow Avexa to proceed as planned with the investment in the North Pratt coal mine through its subsidiary CHUSA (Coal Holdings USA). Cash flows from this investment will contribute towards the funding of the AVX-305 Phase III clinical trial of apricitabine (ATC).

Indemnification and insurance of officers

Indemnification

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

Insurance Premiums

Since the end of the financial year, the Company has paid a premium of $36,300 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 Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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

The lead auditor's independence declaration forms part of the Directors' Report for the year ended 30 June 2013 and is set out on page 16.

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	$ 31,365
Other assurance services	$ 8,400
Total Non-audit services	$ 39,765

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 interim CEO/CSO and senior executives but does not include the non-executive directors or the secretary of the Company. All sections contained herein have been subject to audit as required by section 308(3C) of the Corporations Act. Remuneration is referred to as compensation in this report.

Details of KMP including the top remunerated executives of the Company are set out in the tables on page 13. There have been no changes to KMP after the reporting date and before the date of this report.

Company Performance

	2013	2012	2011	2010	2009
Net profit/(loss) attributable to equity holders of the parent	(2,977,497)	(3,513,138)	(4,402,000)	(41,488,378)	(36,218,828)
Closing share price ($)	.014	.022	.042	.033	.115

Principles of compensation

The remuneration committee is responsible for making recommendations to the Board on the remuneration arrangements for non-executive directors (**NED**s) and executives. The remuneration 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. The remuneration 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.

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 compensation 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 at least annually by the Remuneration 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. Compensation recommendations for other staff are conducted by the interim CEO who then makes recommendations to the Remuneration Committee for final approval.

Key Performance Indicators (**KPIs**) are individually tailored by the Board, based on recommendations and input by the interim CEO 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. KPIs and compensation levels are set for the interim CEO by the remuneration committee and Board adopting the same process as that adopted for staff, with close alignment to the role and responsibility within the organisation and in conjunction with the strategic objectives of the Company.

Performance linked compensation and short term performance incentives

All employees may 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 directors based on a range of factors. These factors include traditional financial considerations such as operating performance, cash consumption and deals concluded and also industry-specific factors relating to the advancement of a project portfolio, introduction of new projects to the portfolio, collaborations and relationships with scientific institutions, third parties and internal employees.

Employment contracts for staff other than the interim CEO provide for at-risk incentive compensation of up to 10% of their total fixed compensation package (although higher incentive compensation payments may be made at the Board's discretion). Typically incentive compensation is split 50% on personal performance and 50% on Company performance.

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 interim CEO makes a recommendation annually to the Board in respect of incentive compensation for employees and executives with the decision to award a performance incentive resting with the Board for decision. The Board similarly reviews the performance of the CEO and resolves accordingly on the appropriate level of performance incentive to be paid.

An amount of $63,500 (2012: $15,000) has been accrued at the end of the 2013 financial year by way of an employee benefit provision in respect of performance incentives for the 2013 financial year. $63,500 (2012: $15,000) was paid in the August 2013 payroll in respect of staff performance for the 2013 financial year.

An amount of $37,000 (2012:nil) has been recognised in the 2013 financial year by way of shared based payment expense in respect of performance incentives achieved in respect of key performance indicators set for the 2013 financial year. $37,000 (2012: nil) worth of shares in the Company will be issued after the release of the Group's Financial Statements in respect of staff performance for the 2013 financial year. A 5 day VWOP will be applicable to the issue of the shares.

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

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

Service contracts

All Avexa executives other than the Company Secretary are employed under contracts with the following common terms and conditions:

	Notice period	Payment in lieu of notice	Treatment of short term incentives	Treatment of Long Term Incentives
Termination by Company	3 months (6 months for Interim CEO/CSO)	3 months (6 months for Interim CEO/CSO)	Board discretion	Board discretion depending on circumstances
Termination for Cause	None	None	Unvested awards are forfeited	Unvested awards are forfeited
Termination by Employee	6 weeks (3 months for Interim CEO/CSO)	None	Unvested awards are forfeited	Unvested awards are forfeited

- In the event of a change in control and an executive's position becomes surplus to requirements, that executive's options, if any, will vest and be exercisable within a 30 day period, at the conclusion of which the options will expire. The executive will receive, in addition to the notice period, 6 months payment in the event of a redundancy following a change in control.
- On termination for Cause, the executive will only be entitled to any outstanding payments in respect of the base remuneration package which are payable to the executive for the executive's period of service up to the date of termination.

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**).

2013:

No issues of options occurred in 2013.

2012:

No issues of options occurred in 2012.

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.

The value for "Non-cash Benefits" in the compensation tables represents the value of motor vehicle costs salary packaged by an executive.

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.

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 from 7 July 2010. The Chairman of the Audit and Risk Committee and the Remuneration and Nomination Committee have each received an additional $5,000 per annum, inclusive of superannuation, in recognition of these additional duties.

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 3 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 2013 and 2012 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.

CEO and CSO performance incentive compensation tables

The bonus/incentive compensation value in 2013 for Dr Coates was based on a total potential bonus of up to $55,000. Similarly, a total potential bonus of up to $25,000 was set aside for Dr Cox in respect of the 2013 financial year.
In both cases the bonus was to be determined and paid by the Board in its discretion. The KPI's for each of Drs Coates and Cox were broadly the same and were not connected with the Company's profit or share price performance but rather was aligned by reference to the achievement of personal KPI's relating to the company's pharmaceutical programs and projects both in respect of R&D and commercialisation. The three main personal KPI's, the organization and completion and outcome of the European Medicines Agency Review of the ATC clinical trial, the identification of a new group of compounds with anti-HIV activity against integrase inhibitor resistant strains, and progress in the securing of marketing partners for ATC. The potential bonuses for Drs Coates and Cox were allocated as to 80% for product related performance (50% ATC, 20% HIV Integrase project, 5% Valevia and the balance relating to IP) with the remaining 20% of the potential bonus relating to administration related matters.

The Board also determined that in the event that it awarded bonuses to Drs Coates and Cox that the amount of the bonus would be provided as to 50% cash with the remaining 50% of any bonus to be satisfied by way of an entitlement to be issued fully paid ordinary shares in the company with the number of shares to be issued to be an amount equal in value to the amount of the bonus based on the 5 day VWAP at the time the bonus is provided.

The board established these KPI's for the reason that they were directly linked to the Company's strategic objectives and were considered to be more meaningful than other objectives such as those relating to share price performance or profitability given the Company's current circumstances.

In assessing whether the KPI's were satisfied the chairman of the remuneration committee (Mr Hewett) met with Dr Coates to discuss performance against the KPI's formalised in February 2013. Following that meeting Mr Hewett advised the Remuneration Committee that in his view all of the KPI's had all been satisfied and the bonuses should be provide in full. This recommendation was approved and accordingly the cash proportion of the bonus was paid in August 2013 with the shares to be issued following the release to market of the Company's full year audited financial statements.

In addition to the bonus arrangements discussed above, Drs Coates and Cox were each awarded ex-gratia payments of $20,000 and $10,000 respectively in recognition of their significant efforts during FY'12 in advancing the licensing of ATC and achieving significant successes in relation to the HIV Integrase Program.

2013:

	Short term:			Post Employment:	Share-based Payments:		
	Base Compensation (salary and fees)	Non-cash Benefits	Bonuses / incentives	Superannuation Contributions	Shares and Options issued	Termination benefits	Total compensation
Directors	$	$	$	$	$	$	$
Non-executive							
Mr I Kirkwood (i)	101,501	-	-	3,500	8,280 (7.3%)	-	113,281
Mr B Hewett (ii)	55,000	-	-	-	4,140 (7%)	-	59,140
Mr A Tan (iii)	50,000	-	-	-	4,140 (7.6%)	-	54,140
Total compensation	**206,501**	**-**	**-**	**3,500**	**16,560**	**-**	**226,561**
Executives							
Key Management Personnel							
Dr J Coates (iv)	194,295	-	45,000 (15.7%)	23,262	24,500 (8.5%) *	-	287,057
Ms M Klapakis (v)	130,968	-	13,500 (8.5%)	14,347	-	-	158,815
Dr S Cox (vi)	152,840	-	20,000 (9.6%)	23,796	12,500 (6%) *	-	209,136
Total compensation	**478,103**	**-**	**78,500**	**61,405**	**37,000**	**-**	**655,008**

* Fully paid ordinary shares to this value will be issued after the release of the Group's Financial Statements. A 5 day VWOP will be applicable to the issue of the shares.

(i) Appointed on 9 August 2010. Appointed Chairman on 18 April 2011.
(ii) Appointed on 6 July 2010.
(iii) Appointed on 1 December 2010.
(iv) Ceased employment on 7 May 2010. Re-appointed on 12 July 2010.
(v) Appointed on 1 December 2010.
(vi) Appointed 7 February 2013.

2012:

	Short term:			Post Employment:	Share-based Payments:		
	Base Compensation (salary and fees)	Non-cash Benefits	Bonuses / incentives	Superannuation Contributions	Shares and Options issued	Termination benefits	Total compensation
Directors	$	$	$	$	$	$	$
Non-executive							
Mr I Kirkwood (i)	84,006	-	-	21,000	5,520 (5%)	-	110,526
Mr B Hewett (ii)	55,000	-	-	-	2,760 (4.8%)	-	57,760
Mr H Soedirdja (vii)	29,167	-	-	-	-	-	29,167
Mr A Tan (iii)	50,000	-	-	-	2,760 (5.2%)	-	52,760
Total compensation	**218,173**	**-**	**-**	**21,000**	**11,040**	**-**	**250,213**
Executives							
Key Management Personnel							
Dr J Coates (iv)	172,924	-	-	44,514	15,083 (6.5%)	-	232,521
Ms M Klapakis (v)	128,175	-	8,000 (5.4%)	12,628	293 (.2%)	-	149,096
Total compensation	**301,099**	**-**	**8,000**	**57,142**	**15,376**	**-**	**381,617**

(i) Appointed on 9 August 2010. Appointed Chairman on 18 April 2011.
(ii) Appointed on 6 July 2010.
(iii) Appointed on 1 December 2010.
(iv) Ceased employment on 7 May 2010. Re-appointed on 12 July 2010.
(v) Appointed on 1 December 2010.

(vii) Appointed on 12 July 2010. Resigned on 31 January 2012.

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

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

2013:

No options were granted during the 2013 financial year.

2012:

Directors, Executives and title	Options granted		Number and % vested in year	Financial years In which Grant vests	Value yet To vest in $
Directors:	**Number**	**Date**			
Mr I Kirkwood	2,000,000	19 December 2011	100%	2012	nil
Mr B Hewett	1,000,000	19 December 2011	100%	2012	nil
Mr A Tan	1,000,000	19 December 2011	100%	2012	nil
	4,000,000				

Shareholder approval was given on 24 November 2011 to the issue on 19 December 2011 of the following options during the year end 30 June 2012.

(i) A total of 5,000,000 options with an exercise price of $0.06 each expiring on 31 December 2013 and exercisable only when the performance condition is met (see below).

(ii) Options are only exercisable if the arithmetic average of the daily VWAP (rounded to the nearest cent) in any 5 consecutive trading days in which trading in Avexa shares occurs following the date of grant of the Options, equal or exceeds $0.125 (12 and one half cents).

2013:

Fair Value of Options

The fair values of the options granted to Executive Directors and Officers in the above tables have been calculated at grant date using a binomial 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. The factors and assumptions used in determining the fair value on grant date are detailed in the table below. Comparative information for the 2013 financial year has not been restated as market conditions were already included in the prior valuation. A zero divided assumption has been adopted in every valuation.

There were nil options issued during the 2013 financial year.

2012:

There were 5,000,000 issued during the 2012 financial year.

	Number of options	Grant date	Expiry date	Fair value Per option	Exercise price	Price of shares on value date	Risk free interest rate	Estimated volatility
Mr I Kirkwood	2,000,000	19/12/11	31/12/13	$0.0069	$0.06	$0.033	3.01%	75%
Mr B Hewett	1,000,000	19/12/11	31/12/13	$0.0069	$0.06	$0.033	3.01%	75%
Mr A Tan	1,000,000	19/12/11	31/12/13	$0.0069	$0.06	$0.033	3.01%	75%
Mr H Soedirdja	1,000,000	19/12/11	31/12/13	$0.0069	$0.06	$0.033	3.01%	75%

Shares issued on exercise of options

During the financial year the Company issued nil (2012: nil) ordinary shares upon the exercise of options for total proceeds of $nil (2012: $nil). Since the end of the financial year up to the date of this report the Company has issued nil (2012: nil) shares upon exercise of options for total proceeds of $nil (2012: $nil).

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 other than the Interim CEO where appropriate.

Dated at Melbourne this 29th day of August, 2013.

This report is made with a resolution of the directors.

Mr I Kirkwood
Chairman

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

To: the directors of Avexa Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 there have been:

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

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

KPMG
KPMG

Paul J McDonald
Paul J McDonald
Partner

Melbourne

29 August 2013

Statement of comprehensive income		**Consolidated**	
For the year ended 30 June 2013	Note	**2013**	2012
		$'000	$'000
Revenue from operating activities	4	**617**	564
Other revenue	4	**452**	523
Contract research and development expenses	5(a)	**(286)**	(557)
Employee expenses		**(1,206)**	(1,184)
Share-based payment expense	19	**(53)**	(27)
Depreciation expense	5(b)	**(164)**	(144)
Loss on disposal of plant and equipment	5(b)	**(88)**	-
Consulting expenses		**(133)**	(97)
Occupancy expenses		**(1,323)**	(1,463)
Professional services expenses		**(445)**	(206)
Travel and accommodation expenses		**(37)**	(48)
Raw materials and consumables expenses		**(3)**	(12)
Asset management expenses		**(38)**	(46)
Insurance expenses		**(98)**	(103)
Corporate administration expenses		**(139)**	(117)
Intellectual property expenses		**(555)**	(315)
Other expenses	5(c)	**(64)**	(143)
Results from operating activities		**(3,563)**	(3,375)
Net finance income/(costs)	33	**591**	(138)
Income tax expense	7	**(5)**	-
Loss from operations for the period		**(2,977)**	(3,513)
Loss attributable to owners of the Company	19	**(2,977)**	(3,513)
Other comprehensive income			
Items that may be reclassified subsequently to the income statement			
Net change in fair value of available for sale financial assets	33	**(566)**	(5,840)
Total comprehensive income/(loss) for the period		**(3,543)**	(9,353)
Earnings per share			
Basic earnings per share (cents per share)		**(0.35)**	(0.41)
Diluted earnings per share (cents per share)		**(0.35)**	(0.41)

The statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 21 to 43.

AVEXA LIMITED ABN 53 108 150 750

Statement of changes in equity		**Consolidated**			
For the year ended 30 June 2013	Note	**Issued capital**	**Accumulated losses**	**Fair value reserve**	**Total Equity**
		$'000	**$'000**	**$'000**	**$'000**
Opening balance as at 1 July 2012		**182,523**	**(165,929)**	**435**	**17,029**
Comprehensive income/(loss) for the period					
Loss	19	**-**	(2,977)	-	(2,977)
Total other comprehensive income		**-**	-	(566)	(566)
Total comprehensive income for the period		**-**	**(2,977)**	**(566)**	**(3,543)**
Transactions with owners, recorded directly in equity					
Contributions by owners					
Issue of ordinary shares pursuant to placement		-	-	-	-
Issue of ordinary shares pursuant to share purchase plan		-	-	-	-
Equity settled share-based payment transactions		**-**	53	-	53
Total contributions by owners		-	53	-	53
Total transactions with owners	19	**-**	**53**	**-**	**53**
Closing balance as at 30 June 2013		**182,523**	**(168,853)**	**(131)**	**13,539**

Statement of changes in equity		**Consolidated**			
For the year ended 30 June 2012	Note	**Issued capital**	**Accumulated losses**	**Fair value reserve**	**Total Equity**
		$'000	**$'000**	**$'000**	**$'000**
Opening balance as at 1 July 2011		**182,523**	**(162,443)**	**6,275**	**26,355**
Comprehensive income/(loss) for the period					
Loss	19	**-**	(3,513)	-	(3,513)
Total other comprehensive income				(5,840)	(5,840)
Total comprehensive income for the period		**-**	**(3,513)**	**(5,840)**	**(9,353)**
Transactions with owners, recorded directly in equity					
Contributions by owners					
Issue of ordinary shares pursuant to placement		-	-	-	-
Issue of ordinary shares pursuant to share purchase plan		-	-	-	-
Equity settled share-based payment transactions		**-**	27	-	27
Total contributions by owners		-	27	-	27
Total transactions with owners	19	**-**	**27**	**-**	**27**
Closing balance as at 30 June 2012		**182,523**	**(165,929)**	**435**	**17,029**

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 21 to 43.

AVEXA LIMITED ABN 53 108 150 750

Statement of financial position		**Consolidated**	
as at 30 June 2013	Note	**2013**	2012
		$'000	**$'000**
Current assets			
Cash and cash equivalents	9	**11,869**	12,570
Receivables	10	**1,418**	822
Investments	11	**659**	3,679
Other assets	12	**47**	224
Total current assets		**13,993**	17,295
Non-current assets			
Intangible assets	13	**-**	-
Plant and equipment	14	**20**	325
Total non-current assets		**20**	325
Total assets		**14,013**	17,620
Current liabilities			
Trade and other payables	15	**279**	284
Employee benefit provisions	16	**183**	79
Other liabilities	17	**-**	201
Total current liabilities		**462**	564
Non-current liabilities			
Employee benefit provisions	16	**12**	27
Total non-current liabilities		**12**	27
Total liabilities		**474**	591
Net assets		**13,539**	17,029
Equity			
Issued capital	18	**182,523**	182,523
Fair value reserve		**(131)**	435
Accumulated losses	19	**(168,853)**	(165,929)
Total equity		**13,539**	17,029

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 21 to 43.

Statement of cash flows		**Consolidated**	
For the year ended 30 June 2013	Note	**2013**	2012
		$'000	**$'000**
Cash flows from operating activities			
Cash receipts in the course of operations		**384**	649
Cash payments in the course of operations		**(4,262)**	(4,422)
R&D Incentive		**558**	657
Interest received		**639**	817
Net cash used in operating activities	21	**(2,681)**	(2,299)
Cash flows from investing activities			
Payments for property, plant and equipment		**(10)**	(10)
Payments for equity investments		**-**	(5,086)
Proceeds from disposal of listed equity instruments		**2,422**	3,578
Working capital loan to Coal Holdings USA, LLC		**(494)**	-
Proceeds from disposal of assets		**62**	-
Net cash used in investing activities		**1,980**	(1,518)
Net (decrease) / increase in cash held		**(701)**	(3,817)
Cash at the beginning of the financial year		**12,570**	16,387
Effect of exchange rate fluctuations on cash held		**-**	-
Cash at the end of the financial year	9	**11,869**	12,570

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 21 to 43.

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1 Reporting entity

Avexa Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Suite 8, Level 1, 61-63 Camberwell Road, Hawthorn East, VIC 3123. The consolidated financial statements of the Company as at 30 June 2013 comprise the Company and its subsidiary entities (together referred to as the "Group" and individually as "Group entities"). There have been two principal activities for the Group during the course of the financial year. Firstly, the research and development, for commercialisation, of anti-infective pharmaceutical programs and projects and secondly, a due diligence process relating to investment in the North Pratt coal mine and subsequent permit issuance.

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 consolidated financial statements were approved by the Board of directors on 29 August 2013. The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded off to the nearest thousand dollars, unless otherwise stated.

(b) Basis of measurement and presentation currency

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

Going concern basis of accounting

In preparing the financial statements, the directors have made an assessment of the ability of the consolidated entity to continue as a going concern, which contemplates the continuity of normal operations, realisation of assets and settlement of liabilities in the ordinary course of business and at the amounts stated in the financial report. The Company's strategy in this regard is to maintain sufficient working capital to continue with its operations in the 2014 financial year and beyond, until such time as self-sustaining revenue streams are realised.

As detailed in note 28, on 29 August 2013 the directors are of the view that it is likely that the Group will proceed with the investment in Coal Holdings USA Inc (CHUSA), comprising an equity investment of USD$4 million and a secured loan of USD$6 million. The ability of the consolidated entity to meet operating cash requirements for the next 12 months and beyond is dependent in part on proceeds from the sale of equity investments, and cash flows from the successful execution of the business plans of CHUSA, which is dependent on a number of factors that may or may not occur as expected, including assumptions relating to start-up costs, sales volumes, coal prices, working capital requirements and regulatory compliance. In addition, in order to meet the forecast operating cash requirements, the Company will need to raise funds from other sources, which may include raising capital, securing debt facilities or monetising the Group's existing portfolio of intangible assets.

As a result of these factors, there exists a material uncertainty regarding the ability of the consolidated entity to continue as a going concern.

After making enquiries, and considering the uncertainties described above, the Directors have a reasonable expectation that the consolidated entity will have adequate resources to continue to meet its obligations as and when they fall due. For these reasons, they continue to adopt the going concern basis in preparing the consolidated financial statements.

Should the Directors be of the view that the development of ATC should continue, further additional funding will be required to conduct further Phase III trials and secure the requisite marketing and regulatory approvals.

(c) Use of estimates and judgements

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

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

There have been no judgements made during the current financial year in the application of Australian Accounting Standards that have had or are expected to have a significant effect on the consolidated financial statements. Based on the information available at the time of signing the financial report, the Company is still of the view that a full provision for impairment is still required, as the recoverable amount of the intangible asset, following decisions taken by the Board leading up to 30 June 2010, cannot reasonably be estimated. Should future decisions and actions in regard to ATC result in the directors of the Company having the opinion that some value has been restored to this intangible asset, the existing provision for impairment may be reversed to the extent that the directors believe to be prudent and that value will be reflected in the Company's balance sheet. Refer to note 13 for further detail.

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 Group has not elected to early adopt any accounting standards (refer note 3(s)).

(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.

Rental income

Rental income from sub-leasing arrangements is recognised in profit or loss on a straight line basis over the term of the lease.

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: financial assets at fair value through profit and loss and available-for-sale assets.

Financial assets at fair value through profit and loss

A financial asset is classified as at fair value through profit and loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit and loss if the Group manages such investments and make purchases and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit and loss when incurred. Financial assets at fair value through profit and loss are measured at fair value, and changes therein are recognised in profit and loss.

Financial assets designated at fair value through profit and loss comprise equity securities that otherwise would have been classified as available for sale.

Available-for-sale financial assets

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

Available-for-sale financial assets comprise equity securities.

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

(c) Finance income and costs

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

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

(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 included. 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.

(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.

(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. 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.

(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 AA credit-rated (Commonwealth Government) bonds that have maturity dates approximating the terms of the Company's obligations. The calculation is performed using the projected unit credit method.

Periods of service with each employee's immediate former employer have been recognised by the Company as at the date of commencement of employment for those employees starting with the Company on 1 July 2004.

(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.

(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 operates within two business segments comprising anti-infective research and development and listed investments. Although the Group's clinical trials are conducted in a number of countries there is no meaningful way of presenting geographically segmented results, particularly given these operations do not currently generate revenue.

(p) Earnings per share

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

(q) Share capital

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

(r) Fair value reserve

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

(s) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2013 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, except for AASB9 Financial Instruments, which becomes mandatory for the Group's 2016 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

4 Revenue

	Consolidated	
	2013	2012
	$'000	$'000
Grant Income	**-**	6
R&D Incentive	**617**	558
Total revenue from operating activities	**617**	564
Lease Income	**452**	522
Other Income	**-**	1
Total other revenue	**452**	523

5 Profit before related income tax expense

a) Individually material items included in profit before related income tax expense:

	2013	2012
Contract research and development expenditure	**286**	557
Direct research and development expenditure	**1,382**	905
Research and Development	**1,668**	1,462

b) Profit before related income tax expense has been arrived at after charging the following items:

	2013	2012
Depreciation of plant and equipment	**164**	144
Loss on disposal of plant and equipment	**88**	-
Amounts recognised in provisions for employee entitlements (Note 27)	**89**	40
Superannuation payments to defined contribution plans	**85**	123

c) Other expenses

	2013	2012
Advertising and promotion	**64**	35
Workplace administration	**29**	31
Foreign exchange (gains)/losses	**(67)**	63
Other expenses	**38**	14
Total other expenses	**64**	143

6 Auditors' remuneration

Audit services:	**$**	$
Auditors of the Company - KPMG	**71,450**	63,000
Total audit services	**71,450**	63,000
Other services:		
Accounting advice	**-**	-
Tax compliance and advisory services - KPMG	**31,365**	37,275
Other assurance services – Overseas KPMG firm(1)	**8,400**	14,100
Total other services	**39,765**	51,375

(1) Other assurance services include fixed asset verification procedures provided.

7 Income Tax

	Consolidated	
	2013	2012
	$'000	$'000
Current tax expense (benefit) – current year	**5**	**-**
Deferred tax expense – continuing operations	**-**	**-**
Total income tax expense (benefit) in income statement attributable to continuing operations	**5**	-
Numerical reconciliation between tax expense and pre-tax net loss:		
Loss before tax – continuing operations	**(2,972)**	(3,513)
Income tax using the domestic corporation tax rate of 30% (2012: 30%)	**(892)**	(1,054)
Change in unrecognised temporary differences	**(5)**	12
Increase in income tax expense due to:		
Non-deductible expenses	**289**	545
Deferred tax assets not brought to account	**585**	461
Research and development allowance	**226**	204
Sundry	**(4)**	-
Decrease in income tax expense due to:		
Items deductible for tax purposes	**(194)**	(168)
Research and development allowance	**-**	-
Income tax expense on pre-tax net loss	**5**	-
Unused tax losses for which no deferred tax asset has been recognised	**142,499**	140,548
Potential tax benefit at 30%	**42,749**	42,164

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

Cash at bank and on hand	**132**	256
Bank short term deposits	**11,737**	12,314
Total cash assets	**11,869**	12,570

Financing arrangements

At 30 June 2013 the Company had a credit card facility of $150,000 of which Nil was used as at 30 June 2013 (2012: $nil). 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 4.4% (2012: 5.6%).

10 Receivables

	Consolidated 2013 $'000	2012 $'000
Current		
Trade and other receivables	**240**	246
R&D Incentives and other tax receivables	**617**	576
Working capital loan – Coal Holdings USA, LLC (1)	**561**	-
Total Receivables	**1,418**	822

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

11 Investments

	2013	2012
Current		
Financial assets classified as held for trading	**40**	900
Financial assets classified as available for sale	**619**	2,779
	659	3,679

12 Other assets

	2013	2012
Current		
Prepayments	**47**	224

13 Intangible assets

	2013	2012
North American marketing licence for apricitabine (ATC) – at cost	**25,762**	25,762
Less: Provision for impairment	**(25,762)**	(25,762)
Total marketing licence and intangibles	**-**	-
Intellectual property (at cost)	**12,000**	12,000
Less: Accumulated amortisation	**(12,000)**	(12,000)
Total intangible assets	**-**	-

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

For the financial year 2013, the directors still consider the Intangible assets nil valuation is appropriate.

	Consolidated	
	2013	2012

14 Plant and equipment

Plant and equipment (at cost)	**438**	1,378
Less: Accumulated depreciation	**(418)**	(1,053)
Total Plant and equipment	**20**	325
Reconciliation - Plant and equipment		
Carrying amount at the beginning of the financial year	**325**	459
Additions	**10**	10
Disposals	**(151)**	-
Depreciation	**(164)**	(144)
Carrying amount at the end of the financial year	**20**	325

15 Trade and other payables

Trade creditors and accruals	**279**	284

The Group's exposure to currency and liquidity risk related to trade creditors and accruals is disclosed in Note 23.

16 Employee benefits provisions

	2013	2012
	$'000	$'000
Current		
Employee benefits (Note 27)	**183**	79
Non- Current		
Employee benefits (Note 27)	**12**	27

17 Other liabilities

Current		
Unearned income	**-**	78
Onerous contract provision	**-**	123
Total Other liabilities	**-**	201

The Company was a party to a non-cancellable lease for office and laboratory space. The Company ceased to use part of these premises by 30 June 2010. The unused facilities had been sublet or were available for sublease for the remaining lease term, but changes in market conditions had meant that the rental income was lower than the rental expense. The obligation for future rental payments, net of expected rental income, had been provided for. The lease expired 26 June 2013.

18 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 (2012: nil) options were issued to employees under the Avexa Employee Share Option Plan, nil (2012: 5,000,000) options were issued to directors. 3,080,000 (2012: 3,350,000) options held by employees or directors lapsed or were forfeited and nil (2012: nil) were exercised. Nil (2012: 4,000,000) held by Shire Canada Inc lapsed. Movements in options for the current and prior year are provided in the following tables.

2013 Options	No of options at beginning of year	Options granted	Options lapsed / forfeited	Options exercised	No of options at end of year
Total employee options (Note 27)	3,270,000	-	(3,080,000)	-	190,000
Total Directors options	4,000,000	-	-	-	4,000,000
Shire options	-	-	-	-	-
Total options	**7,270,000**	**-**	**(3,080,000)**	**-**	**4,190,000**

2012 Options	No of options at beginning of year	Options granted	Options lapsed / forfeited	Options exercised	No of options at end of year
Total employee options (Note 27)	5,620,000	-	(2,350,000)	-	3,270,000
Total Directors options	-	5,000,000	(1,000,000)	-	4,000,000
Shire options	4,000,000	-	(4,000,000)	-	-
Total options	**9,620,000**	**5,000,000**	**(7,350,000)**	**-**	**7,270,000**

Issued and paid up capital	2013		2012	
	$'000	**Number**	$'000	Number
847,688,779 (2012: 847,688,779) ordinary shares, fully paid	**182,523**	**847,688,779**	182,523	847,688,779

Movements in issued capital during the year were as follows:

Balance at the beginning of the financial year	182,523	847,688,779	182,523	847,688,779
Issue of shares pursuant to Share Purchase Plan	-	-	-	-
Issue of shares pursuant to placement	-	-	-	-
Transaction costs relating to Rights Issue and placements	-	-	-	-
Issued capital at the end of the financial year	**182,523**	**847,688,779**	182,523	847,688,779

19 Accumulated losses

	Consolidated	
	2013	2012
	$'000	$'000
Accumulated losses at the beginning of the financial year	**(165,929)**	(162,443)
Share-based payment expense	**53**	27
Net loss attributable to owners of the Company	**(2,977)**	(3,513)
Accumulated losses at the end of the financial year	**(168,853)**	(165,929)

20 Commitments

	Consolidated 2013	2012
(a) Non-cancellable operating lease expense commitments		
Future operating lease commitments not provided for in the financial statements and payable:		
- Within one year	**63**	948
- One year or later and no later than five years	**204**	-
- Greater than five years	**-**	-
	267	948

For the 2012 financial year the commitments shown are net of the onerous contract provision as disclosed in Note 17.
The principal operating lease commitment other than immaterial office equipment leases was the Company's premises lease agreement which expired on 26 June 2013 and for the 2013 financial year the new lease on the new premises represents a commitment of $50,288.

	Consolidated 2013	2012
b) Cancellable research and development commitments		
Future research and development commitments not provided for in the financial statements, excluded from a) above and payable:		
- Within one year	**20**	82
- One year or later and no later than five years	**-**	-
	20	82

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.

21 Notes to the statement of cash flows

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

	Consolidated 2013	2012
	$'000	$'000
Cash at bank and on hand	**132**	256
Bank short term deposits	**11,737**	12,314
Cash assets (Note 9)	**11,869**	12,570

	2013	2012
Reconciliation of loss after related income tax to net cash used in operating activities		
Loss after income tax	**(2,977)**	(3,513)
Add non-cash & non-operating items:		
- Depreciation and loss on disposal of plant and equipment	**252**	144
- Share-based payment expense	**53**	27
- Foreign exchange gains	**(67)**	-
- Investment loss on revaluation	**32**	975
Change in working capital and provisions		
- (Increase) / decrease in Receivables	**(34)**	114
- (Increase) / decrease in Other assets	**177**	(164)
- Increase / (decrease) in Employee benefits	**89**	(40)
- Increase / (decrease) in Deferred income	**(78)**	78
- Increase / (decrease) in Payables	**(5)**	27
- Increase / (decrease) in Other liabilities	**(123)**	53
Net cash used in operating activities	**(2,681)**	(2,299)

21 Notes to the statement of cash flows (continued)

Non-cash financing and investing activities

There have been no non-cash financing and investing transactions during the 2013 financial year (2012: nil) which have had a material effect on assets and liabilities of the Group.

22 Earnings per share

	Consolidated	
	2013	2012
	$'000	$'000
Basic Earnings per share (cents per share)	**(0.35)**	(0.41)
Diluted Earnings per share (cents per share)	**(0.35)**	(0.41)
a) Earnings reconciliation		
Net loss:		
Basic earnings	**(2,977)**	(3,513)
Diluted earnings	**(2,977)**	(3,513)
b) Weighted average number of shares		
Number for basic earnings per share:	**Number**	Number
Ordinary shares	**847,688,779**	847,688,779
Number for diluted earnings per share:		
Ordinary shares	**847,688,779**	847,688,779
Effect of share options on issue	**-**	-
Weighted average number of ordinary shares (diluted)	**847,688,779**	847,688,779

23 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% 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 (2012: nil).

23 Financial instruments disclosure and financial risk management (continued)

(a) Market risk (continued)

***(i) Foreign Currency risk* (continued)**

In relation to the proposed investment in Coal Holdings USA (CHUSA), the Company plans to invest and loan CHUSA US$4M and US$6M respectively. These amounts are unhedged.

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

	2013			2012		
	GBP	USD	Euros	GBP	USD	Euros
	$'000	$'000	$'000	$'000	$'000	$'000
Bank accounts	21	37	-	24	45	-
Receivables	-	561	-	-	-	-
Payables	-	-	-	-	-	-
Gross balance sheet exposure	21	598	-	24	45	-

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 2013 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. The analysis is performed on the same basis for 2012. There is no impact on equity.

	2013 Profit and loss		2012 Profit and loss	
Exposure	Strengthening $'000	Weakening $'000	Strengthening $'000	Weakening $'000
Gross balance sheet exposure	(54)	66	(6)	7

The following significant exchange rates applied during the financial year:

	Average rate		Reporting date spot rate	
Currency	2013	2012	2013	2012
GBP	**0.65**	0.65	**0.61**	0.65
USD	**1.03**	1.03	**0.93**	1.02
Euro	**0.79**	0.77	**0.71**	0.81

(ii) Interest rate risk

The effective weighted average interest rate used to discount the Long Service Leave provision is 4.1% (2012: 6.0%). 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 Number	Effective interest rate	Floating interest rate	3 months or less	Non-interest bearing	Total
		%	$'000	$'000	$'000	$'000
Financial assets:						
Cash assets – at 30 June 2013	9	**4.4**	**253**	**11,557**	**59**	**11,869**
Cash assets – at 30 June 2012	9	**5.6**	**301**	**12,200**	**69**	**12,570**

An increase or decrease of 0.50% in interest rates applied for 12 months to the cash balances at reporting date would have increased or decreased profit or loss by $59,344 (2012: $62,851), assuming that all other variables, including foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

23 Financial instruments disclosure and financial risk management (continued)

(ii) Interest rate risk (Continued)

	2013 Profit and loss		2012 Profit and loss	
	Strengthening	**Weakening**	**Strengthening**	**Weakening**
	$'000	**$'000**	**$'000**	**$'000**
Cash at bank – variable interest rate:				
AUD	59	(59)	63	(63)

(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 receivables due from tenants, the working capital loan to Coal Holdings USA, LLC (CHUSA), which is secured by the assets of CHUSA, and from interest and capital on investments 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 $2.7m 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% 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. Generally the nature of the core business is such that the Group tends to deal with a small number of counterparties of a multinational, high profile and high credit rating status. Wherever possible, the Group will seek appropriate security for any long term 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 Number	3 months or less	Greater than 3 months	Total
		$'000	**$'000**	**$'000**
Financial assets:				
Receivables – at 30 June 2013	10	240	1,178	**1,418**
Receivables – at 30 June 2012	10	812	10	**822**

(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, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The liquidity risk profile will be impacted by the Company's decision to make a strategic investment in Coal Holdings USA LLC. Refer to Note 2(b) *Going Concern basis of accounting*.

The Company has no lines of credit other than a credit card facility for $150,000 and 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.

23 Financial instruments disclosure and financial risk management (continued)

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

	Note Number	3 months or less	Greater than 3 months	Total
		$'000	$'000	$'000
Financial liabilities:				
Creditors and other accruals – at 30 June 2013	15	279	**-**	**279**
Creditors and other accruals – at 30 June 2012	15	284	**-**	**284**

(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.

24 Related parties

Disclosures of compensation policies, service contracts and details of compensation are included in the Remuneration Report on pages 9 to 15. The following were Key Management Personnel of the Company at any time during the reporting period and unless otherwise indicated, were directors or executives for the entire period.

Non-executive directors

Mr I Kirkwood (Appointed Chairman 18 April 2011)
Mr B Hewett (Appointed 6 July 2010)
Mr A Tan (Appointed 1 December 2010)

Executives

Dr J Coates (Interim CEO & Chief Scientific Officer) (Ceased employment as Chief Scientific Officer 7 May 2010. Appointed Interim CEO & re-appointed Chief Scientific Officer 12 July 2010)
Dr S Cox (Head of Drug Development). (Appointed 7 February 2013)
Ms M Klapakis (Financial Controller) (Appointed 1 December 2010)

Directors and Key Management Personnel compensation

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

Nature of compensation	**2013**	2012
	$'000	$'000
Short-term employee benefits	**685**	519
Performance benefits	**79**	8
Other short term benefits	**-**	-
Post-employment benefits	**65**	78
Termination benefits	**-**	-
Share-based payments	**53**	26
Total compensation	**882**	631

24 Related parties (continued)

Options and rights over equity instruments granted as compensation.

All options refer to options over ordinary shares of Avexa Limited, which are exercisable on a one-for-one basis under the Avexa Employee Share Option Plan (ESOP). The fair value of the options is calculated at the date of grant using a binomial model and allocated to each reporting period in accordance with the vesting profile of the options. The value disclosed is the portion of the fair value of the options allocated to this reporting period. The factors and assumptions used in determining the fair value on grant date of options issued during the financial year and previous financial year are detailed in the following tables.

2013:

No options were granted during the 2013 financial year.

2012:

Number and recipients of options	Grant date	Expiry date	Fair value per option	Exercise price	Price of shares on value date	Risk free interest rate	Estimated volatility	Number vested during year
5,000,000 to Directors	19 December 2011	31 December 2013	$0.0069	$0.06	$0.033	3.01%	75%	All

Exercise of Options Granted as compensation

There were no shares issued during the reporting period on the exercise of options previously granted as compensation.

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. No options were exercised by KMP during the year.

2013:

	Number of options held at 1 July 2012	Number of options issued during year	Number of options lapsed during year	Number of options held at 30 June 2013	Number of options vested at 1 July 2012	Number of options vested during the year	Number of vested options lapsed during year	Number of options vested at 30 June 2013
Directors								
Mr I Kirkwood	2,000,000	-	-	2,000,000	2,000,000	-	-	2,000,000
Mr B Hewett	1,000,000	-	-	1,000,000	1,000,000	-	-	1,000,000
Mr A Tan	1,000,000	-	-	1,000,000	1,000,000	-	-	1,000,000
Executives								
Dr J Coates	3,150,000	-	(3,000,000)	150,000	3,150,000	-	(3,000,000)	150,000
Ms M Klapakis	25,000	-	(10,000)	15,000	25,000	-	(10,000)	15,000
Dr S Cox	-	-	-	-	-	-	-	-
Total Executives	**7,175,000**	**-**	**(3,010,000)**	**4,165,000**	**7,175,000**	**-**	**(3,010,000)**	**4,165,000**

24 Related parties (continued)

Options and rights over equity instruments granted as compensation (continued)

2012:

	Number of options held at 1 July 2011	Number of options issued during year	Number of options lapsed during year	Number of options held at 30 June 2012	Number of options vested at 1 July 2011	Number of options vested during the year	Number of vested options lapsed during year	Number of options vested at 30 June 2012
Directors								
Mr I Kirkwood	-	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000
Mr B Hewett	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000
Mr A Tan	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000
Mr H Soedirdja	-	1,000,000	(1,000,000)	-	-	1,000,000	(1,000,000)	-
Executives								
Dr J Coates	4,150,000	-	(1,000,000)	3,150,000	3,490,000	660,000	(1,000,000)	3,150,000
Ms M Klapakis	225,000	-	(200,000)	25,000	215,000	10,000	(200,000)	25,000
Mr S Kerr (i)	900,000	-	(900,000)	-	540,000	-	(540,000)	-
Total Executives	**5,275,000**	**5,000,000**	**(3,100,000)**	**7,175,000**	**4,245,000**	**5,670,000**	**(2,740,000)**	**7,175,000**

(i) Mr Kerr (former CFO) left the company on 30 November 2010. The terms of Mr Kerr's vested but unexercised options that would otherwise have lapsed during the previous financial year were varied and extended by 12 months. There was no difference between the total fair value of the options immediately before the variation and immediately afterwards and the financial effect is not quantifiable.

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.

2013 Directors:

	Holding of Ordinary Shares at 1 July 2012 (or date of appointment)	Shares sold on market during the financial year	Shares acquired on market during the financial year	Holding of Ordinary Shares at 30 June 2013 (or date of resignation)
Directors	**Number**	**Number**	**Number**	**Number**
Mr I Kirkwood	650,000	-	8,500,000	9,150,000
Mr B Hewett	100,000	-	1,900,000	2,000,000
Mr A Tan	-		-	-
Total directors	**750,000**	**-**	**10,400,000**	**11,150,000**

24 Related parties (continued)

2012 Directors:

	Holding of Ordinary Shares at 1 July 2011 (or date of appointment)	Shares sold on market during the financial year	Shares acquired on market during the financial year	Holding of Ordinary Shares at 30 June 2012 (or date of resignation)
Directors	**Number**	**Number**	**Number**	**Number**
Mr I Kirkwood	650,000	-	-	650,000
Mr B Hewett	100,000	-	-	100,000
Mr J Soedirdja (i)	1,325,715	-	-	1,325,715
Mr A Tan	-	-	-	-
Total directors	**2,075,715**	**-**	**-**	**2,075,715**

(i) Resigned on 31 January 2012.

2013 Executives:

	Holding of Ordinary Shares at 1 July 2012	Shares sold on market during the financial year	Shares acquired on market during the financial year	Holding of Ordinary Shares at 30 June 2013
Executives	**Number**	**Number**	**Number**	**Number**
Dr J Coates	1,032,519	-	500,000	1,532,519
Dr S Cox (i)	629,951	-	500,000	1,129,951
Ms M Klapakis	69,029	-	70,000	139,029
Total executives	**1,731,499**	**-**	**1,070,000**	**2,801,499**

(i) Dr S Cox was re-employed on a permanent full time basis on 7 February 2013.

2012 Executives:

	Holding of Ordinary Shares at 1 July 2011	Shares sold on market during the financial year	Shares acquired on market during the financial year	Holding of Ordinary Shares at 30 June 2012
Executives	**Number**	**Number**	**Number**	**Number**
Dr J Coates	1,032,519	-	-	1,032,519
Ms M Klapakis	69,029	-	-	69,029
Total executives	**1,101,548**	**-**	**-**	**1,101,548**

Loans and other transactions with Key Management Personnel

There were no loans made to directors or executives or other loan movements during the 2013 financial year.

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 2013 or 2012 financial years and there were no material contracts with, amounts receivable from or payable to interests involving directors or executives at period end.

25 Non-Key Management Personnel related parties

There were no material transactions with non-director related parties during either the 2013 or 2012 financial years.

26 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.

27 Employee benefits

Aggregate liability for employee benefits, including on-costs:

	Consolidated	
	2013	2012
Current – Employee benefits provision:	**$'000**	$'000
Annual leave and long service leave entitlements	**119**	64
Performance incentive entitlements	**64**	15
Non-current – Employee benefits provision:		
Long service leave entitlement	**12**	27
Total employee benefits	**195**	106

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**
	$'000	**$'000**	**$'000**	**$'000**
Balance at the beginning of the year	64	27	15	106
Provision utilised	(26)	-	(30)	(56)
Charges raised	55	11	79	145
Balance at the end of the year	**93**	**38**	**64**	**195**

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

	2013	2012
Assumed rate of annual increase in salary and wages	**5.0%**	5.0%
Average Discount rate	**4.1%**	6.0%
Settlement term (years)	**7**	7
Number of employees at year end (excluding non-executive directors)	**6**	6

Equity based plan: Avexa Employee Share Option Plan

The Company has a share option plan for employees (ESOP), and during the financial year ended 30 June 2013 issued nil (2012: nil) options over unissued shares under the rules of the ESOP. 3,080,000 (2012: 2,350,000) of these options were forfeited or lapsed during the financial year and nil (2012: nil) options issued in a prior year were exercised during the financial year for total proceeds of $nil (2012: $nil), at a weighted average exercise price of $nil (2012: $nil). The ESOP rules include the following terms and conditions:

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

27 Employee benefits (continued)

Movements during the financial year are detailed in the following table.

2013:

Grant Date	Expiry Date	Exercise Price: original / *current* #	No of options at beginning of year	Options Granted	Options forfeited / lapsed	No of options at end of year
10 Sept 2008	30 June 2013	$0.31 / *$0.30*	1,180,000	-	1,180,000	-
10 Sept 2008	30 June 2013	$0.54 / *$0.53*	200,000	-	200,000	-
10 Sept 2008	30 June 2013	$0.62 / *$0.61*	200,000	-	200,000	-
18 June 2009	18 June 2014	$0.13 / *$0.13*	190,000	-	-	190,000
3 May 2011	31 Dec 2012	*$0.06* / *$0.06*	1,500,000	-	1,500,000	-
Total employee options on issue			**3,270,000**	**-**	**3,080,000**	190,000

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

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

2012:

Grant Date	Expiry Date	Exercise Price: original / *current* #	No of options at beginning of year	Options Granted	Options forfeited / lapsed	No of options at end of year
25 May 2007	30 April 2012	$0.63 / *$0.62*	1,450,000	-	(1,450 000)	-
10 Sept 2008	30 June 2013	$0.31 / *$0.30*	1,180,000	-	-	1,180,000
10 Sept 2008	30 June 2013	$0.54 / *$0.53*	200,000	-	-	200,000
10 Sept 2008	30 June 2013	$0.62 / *$0.61*	200,000	-	-	200,000
18 June 2009	18 June 2014	$0.13 / *$0.13*	1,090,000	-	(900,000)	190,000
3 May 2011	31 Dec 2012	*$0.06* / *$0.06*	1,500,000	-	-	1,500,000
Total employee options on issue			**5,620,000**	**-**	**(2,350,000)**	3,270,000

28 Events subsequent to balance date

In the interval between the end of the financial year and the date of this report no item, no 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 except:

The Alabama Department of Environmental Management has confirmed that a permit to mine is now ready be issued as soon as the requisite bond monies are deposited. Avexa is now in a position to activate its investment subject to the Board being satisfied with final, closing due diligence. Further, Avexa intends to obtain financing to partially fund its participation in the investment in order to preserve cash and allow a contemporaneous investment in the ATC project (refer above). The closing due diligence and financing arrangements, when completed, will allow Avexa to proceed as planned with the investment in the North Pratt coal mine through its subsidiary CHUSA (Coal Holdings USA). Cash flows from this investment will contribute towards the funding of the AVX-305 Phase III clinical trial of apricitabine (ATC).

29 Dividends

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

30 Segment reporting

Information about reportable segments

The Group comprises of the following main business segments:

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

	Research & Development		Listed Investments		Total	
	2013	2012	**2013**	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
External revenues	1,069	1,087	-	-	1,069	1,087
Inter-segment revenue	-	-	-	-	-	-
Interest revenue	596	825	27	10	623	835
Finance expense	-	-	(32)	(975)	(32)	(975)
Depreciation and loss on disposal	252	144	-	-	252	144
Reportable segment profit / (loss) before tax	(2,787)	(2,498)	(185)	(1,015)	(2,972)	(3,513)
Reportable segment total assets	12,763	13,923	1,250	3,697	14,013	17,620
Reportable segment total liabilities	472	591	2	-	474	591

Reconciliation of reportable segment profit or loss

	2013 $'000	**2012** $'000
Total profit or loss for reportable segments before tax	**(2,972)**	(3,513)
Elimination of inter-segment profits	-	-
Elimination of discontinued operations	-	-
Unallocated amounts:		
Other corporate expenses	-	-
Share of profit of equity accounted investees	-	-
Profit / (loss) before tax	**(2,972)**	(3,513)

31 Group entities

Significant subsidiaries for the year ended:

	Country of Incorporation	Ownership interest % 2013	Ownership interest % 2012
AVI Capital Pty Ltd	Australia	100	100
Avexa Inc	USA	100	100
Avexa Ltd	UK	100	100
AVI Capital Inc	USA	100	-

32 Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2013 the parent entity of the Group was Avexa Limited.

	2013	**2012**
	$'000	$'000
Results of parent entity		
Profit /(Loss) for the period	**(5,397)**	(2,486)
Other comprehensive income	**-**	-
Total comprehensive income for the period	**(5,397)**	(2,486)
Financial position of parent entity at year end		
Current assets	**13,949**	19,106
Total assets	**13,969**	19,432
Current liabilities	**459**	564
Total liabilities	**472**	591
Total equity of the parent entity:		
Share capital	**182,523**	182,523
Revaluation reserve	**-**	-
Retained earnings	**(169,025)**	(163,682)
Total equity	**13,498**	18,841

33 Finance income and finance costs

	Consolidated	
	2013	2012
	$ '000	$ '000
Recognised in profit or loss		
Interest income on cash and cash equivalents	**623**	837
Net gain on disposal of available -for-sale financial assets transferred from equity	**828**	93
Finance income	**1,451**	930
Net change in fair value of financial assets at fair value through profit or loss:		
Held for trading	**(860)**	(1,068)
Finance costs	**(860)**	(1,068)
Net finance income/(costs) recognised in profit or loss	**591**	(138)
Recognised in other comprehensive income		
Net change in fair value of available-for-sale financial assets	**356**	5,925
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	**210**	(85)
Finance income recognised in other comprehensive income	**566**	5,840

AVEXA LIMITED ABN 53 108 150 750

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 9 to 45, 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 2013 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;

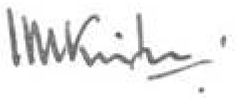
(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a); and

(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 Interim Chief Executive Officer and Financial Controller for the financial year ended 30 June 2013.

Dated at Melbourne this 29th day of August, 2013.

This report is made with a resolution of the directors.



Mr I Kirkwood
Chairman

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 2013, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 33 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*.

KPMG

Auditor's opinion

In our opinion:

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

   (i) giving a true and fair view of the Group's financial position as 30 June 2013 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).

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2(b) in the consolidated financial statements which describes the impact of a potential investment in Coal Holding USA Inc on the Company's cash reserves and the availability of funds to meet operating cash requirements in the next 12 months. This matter indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Report on the remuneration report

We have audited the Remuneration Report included in pages 9 to 15 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

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

KPMG

KPMG

Paul J McDonald

Paul J McDonald

Partner

Melbourne

29 August 2013