Rule 4.2A.3

Avexa Limited

ABN 53 108 150 750

Appendix 4D

Half year report
Period ending 31 December 2012

Results for announcement to the market

Operating performance:	
Revenue from ordinary activities	Down $577,000 (64%) to $324,000
Profit / (loss) from ordinary activities after tax attributable to members	Loss increased by $297,000 (19%) to $1,859,000
Net profit / (loss) for the period attributable to members	Loss increased by $297,000 (19%) to $1,859,000

Dividends

It is not proposed to pay dividends. There are no dividend or distribution reinvestment plans in operation and there has been no dividend or distribution payments during the financial half year ended 31 December 2012.

No explanation considered necessary other than as provided within this report and in the Directors' Report for the half year ended 31 December 2012.

Net tangible assets per ordinary security	Current period	Previous corresponding period to 31/12/11
Net tangible assets	**15,051 in $A'000**	20,962 in $A'000
Net assets	**15,051 in $A'000**	20,962 in $A'000
Issued share capital at reporting date	**182,523 in $A'000**	182,523 in A'000
Number of shares on issue at reporting date	**847,688,779**	847,688,779
Net tangible assets per ordinary security	**1.8 Cents**	2.5 Cents
Net assets per ordinary security	**1.8 cents**	2.5 cents

Acquisitions and divestments

There have been no entities over which control has been gained or lost during the period ended 31 December 2012.

Associates and joint ventures

There are no equity accounted associates and joint venture entities.

Accounting Standards

The financial report has been prepared in accordance with Australian Equivalents to International Financial Reporting Standards.

Auditors review report

The review report prepared by the independent auditor KPMG is not subject to any dispute or qualification and is attached hereto.

AVEXA LIMITED ABN 53 108 150 750

The directors present their report on Avexa Limited (the 'Company') for the six months ended 31 December 2012 and the review report thereon.

Directors
The directors of the Company at any time during or since the end of the interim period are:

Name and independence status	Period of office and special responsibilities
Mr I Kirkwood Chairman and Independent Non-Executive Director	Independent non-executive director, Chair of the Audit Committee and Chairman from 19 April 2011.
Mr B Hewett Independent Non-Executive Director	Independent non-executive director and Chair of the Remuneration and Nomination Committee from 6 July 2010.
Mr A Tan Independent Non-Executive Director	Independent non-executive director from 1 December 2010.

All non-executive directors are members of both the Audit Committee and Remuneration and Nomination Committee from the date of their appointment.

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	1,150,000	2,000,000
Mr B Hewett	300,000	1,000,000
Mr A Tan	-	1,000,000

Review of operations

The principal activity of the Group is the research and development, for commercialisation, of anti-infective pharmaceutical programs and projects.

The Company has recorded a loss of $1.9 million for the six months to 31 December 2012 (31 December 2011: $1.6 million). Avexa's operating cash consumption for the six months was $0.9 million (31 December 2011:$1.2 million) and reported closing cash resources of $11.9 million at 31 December 2012 (31 December 2011: $14.3 million).

For the six months to December 2012, Avexa's main focus has been on continuing to establish a solid foundation to facilitate completing the development of ATC and its subsequent launch and marketing. Having established the regulatory landscape with both the FDA and EMA, we have turned to the commercial aspects of a) securing the necessary funding to complete the agreed development and b) securing the necessary commercial partners to market the finished product once approved. Good progress has been achieved on both fronts. At the Annual General Meeting in December 2012, plans were outlined to invest in the North Pratt coal mine in Alabama which, for a US$4M investment and a US$6M interest bearing loan, is projected to generate substantial returns which would significantly contribute to funding the final development of ATC. Avexa's Board looked carefully at a number of avenues to fund ATC's development over many months. In the current harsh economic climate, this opportunity stood out for its potential to underpin the funding of ATC's development and progression of Avexa's other R&D assets. The resolution to pursue this investment was passed at the AGM on the 14th December. Avexa has substantially completed its due diligence of the North Pratt coal mine investment opportunity and as a result Avexa expects to commence investing as previously described, subject to, amongst other things, the issuance of the appropriate and requisite mining permits, in the second quarter of calendar year 2013.

We have also worked diligently to secure commercial partners to market ATC in a number of countries. To date, a number of different companies have concluded the confidential due diligence process and have signed option agreements to market ATC in a number of jurisdictions. This includes agreements with: DEM Ilac (www.demilac.com.tr) a specialist pharmaceutical company servicing the Turkish and surrounding regions, Dongwha Pharmaceuticals (www.dong-wha.co.kr) one of the major Korean pharmaceutical companies servicing Korea and other international regions, LinkHealthcare (www.linkhealthcare.com.au), servicing the markets of Australia, New Zealand and South Africa, Sanfer (www.sanfer.com.mx), a specialist pharmaceutical company servicing the Latin American region, Shiner (www.shinerpharm.com), based in Taiwan and focused on hospital specialty products.

The option agreements include a commitment from the partner to market ATC in specified jurisdictions, once Avexa has completed the remaining development and obtained regulatory approval. This process is continuing, and we expect to secure additional partners covering different market regions. This will ensure that, once ATC development is complete, marketing partners are already in place to expedite the launch and sale of the product.

The HIV integrase project continues to move forward towards a new once daily integrase inhibitor for drug-resistant HIV patients. Although at a much earlier stage than the ATC project, steady progress is being achieved in this exciting area. HIV integrase inhibitors are the newest emerging class of HIV medicines. Global sales of Merck's raltegravir were US$1.5 billion in 2012, an 11 percent increase compared to 2011. It is worth noting that raltegravir is a twice daily standalone drug. Despite many years of intense effort, its developers (Merck) have not succeeded in developing a once daily version or alternative. Raltegravir also undergoes significant glucuronidation, which varies not only from person to person but even within the same person, leading to a wide variation in drug levels. Inconsistent drug levels may increase the risk of resistance if too low, or toxicity if too high.

Gilead's HIV integrase inhibitor elvitegravir can only be dosed once daily if it is accompanied by an additional drug (cobicistat) which blocks the metabolism of elvitegravir through a common pathway. However, drugs such as cobicistat (called pharmacological boosters) are not specific and block the metabolism of any substance which is metabolized through that common pathway, such as other HIV drugs. Elvitegravir is only available in a combination pill with other drugs, and therefore cannot be used if patients are resistant to, or intolerant of, any of the components. After a long search, GSK discovered an integrase inhibitor which may be dosed once daily in naïve patients, but in patients who have resistance mutations (usually after prior treatment with one of the other integrase inhibitors) it must be given twice daily. It is also being developed as a combination pill.

Avexa's integrase project is wholly owned by Avexa and is well protected by a long and solid IP position, and unrestricted both commercially and scientifically.

Avexa's antibacterial project has made good progress, with an exciting potential opportunity in the area of Clostridium infections. Clostridium infections are increasing owing to the increasing use of broad spectrum antibiotics, and are becoming a significant problem, especially in hospitals. The average cost of a hospital stay owing to Clostridium infection has been estimated at US$25,000. Avexa's lead molecule shows good activity against clinical isolates of Clostridium difficile, and our partner Valevia is pursuing this possible new indication.

Avexa's portfolio at 31 December 2012 comprised the following projects.

Apricitabine (ATC)

Avexa's nucleoside reverse transcriptase inhibitor (NRTI), apricitabine (ATC) is a novel drug for the treatment of human immunodeficiency virus (HIV) infection, the virus which causes Acquired Immunodeficiency Syndrome (AIDS). HIV targets primarily cells of the immune system, leaving infected individuals progressively less able to fend off otherwise common diseases. In the three decades since the identification of the first case of AIDS, over 30 million people have been infected with the virus worldwide, and many millions have died.

The course of the disease can be dramatically slowed down by treatment with a combination of antiviral drugs which inhibit the replication of the virus. However, resistance to these drugs often develops and in many cases, resistance to one drug causes cross-resistance to other, as yet unused, drugs of the same class. The result of this is becoming more and more evident in patients who have been treated for a long time, often called "experienced patients". These experienced patients may have very few, or even no, active drugs available to them in practice. A significant yet often understated problem is the unwanted and sometimes unpleasant side effects of many of the currently used anti-HIV drugs, which can be impossible to take for some patients or even life threatening in others. This places a considerable restriction on the drugs any individual HIV-infected patient can take. Lastly, many current drugs have significant unwanted 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. In essence, while HIV is an infection easily controlled by current drugs in newly infected patients and those with limited drug experience, there are many individual long term patients that in practice have very few appropriate drugs available.

The safety profile, activity and lack of drug-drug interactions demonstrated by ATC both in the lab and more importantly in the clinic shows that ATC has significant potential to be a valuable new treatment for HIV as it addresses those pivotal issues which are unmet for many experienced HIV-infected patients. As well as showing antiviral activity against natural (wild-type) HIV, ATC is active against HIV which has various genetic changes (mutations) that cause the virus to be resistant to other NRTIs. Such mutations include the M184V change (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 common in patients who have taken first line therapies, as the use of these existing NRTIs is widespread. Thus in patients whose current treatments are no longer effective due to the development of drug resistance, ATC has the potential to be a valuable treatment option.. In addition, even in patients who have been treated with ATC for three years, resistance to ATC itself has not been identified suggesting that the useful lifespan of ATC may be subsequently longer. Clinical trials of ATC have shown it to be a safe and very well tolerated antiviral agent. ATC is easy to dose and is not affected by when the patient has taken a meal. Importantly for patients who also have other ailments, which is more common than not, ATC does not produce deleterious interactions when dosed with a variety of different drugs known to produce interactions with other 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.

An extensive search for co-marketing partner(s) to market and sell ATC on a global or regional basis is being pursued. Avexa has sought to find potential partners from the specialist product sales groups around the world who can sell and market ATC to the relatively small number of HIV specialists who control and direct the prescription of anti-HIV drugs. This is a detailed process, involving confidential due diligence from both Avexa and the potential partner, to assess the opportunity presented by ATC in different markets and the ability of the partner to realise that opportunity. Option agreements to market ATC have been concluded in a number of marketing regions, and discussions are ongoing in several other regions. These agreements are important as they not only establish the commercial viability of ATC across different market regions, but also ensure that, together with our partners, preparations can be made towards launching ATC once the final development has been concluded.

Avexa has continued to interact with both scientific and medical experts and with Community Groups representing patients' needs. As a result, a very positive article on ATC was published in a well-known HIV information website ("Minutes to Midnight", HIV Haven: *http://www.hivhaven.com/2012-04-13-23-40-58/noteworthy/4336-minutes-to-midnight-why-the-quad-is-no-win-for-the-drug-resistant-and-treatment-experienced*). The article describes the lack of new drugs (especially NRTIs) in development, and describes ATC as "the most promising and advanced NRTI candidate" and calls for federal assistance to complete its development. The article has been shared and Tweeted a number of times, and is ranked 6th from more than 10 000 posts on the website that month. We continue to work to raise the profile of ATC and gather further support.

Drug discovery and development

HIV Integrase

In order to replicate, HIV must undergo a series of essential processes that utilise a number of key enzymes. As these processes and enzymes are essential they are therefore good targets for the discovery of effective antiviral drugs. One of the most recent key targets to yield an effective medicine is the HIV integrase enzyme. This enzyme is responsible for taking the viral genome of HIV and splicing it into the host cell DNA, which is a required step in HIV replication. Raltegravir (Merck) was the first inhibitor of HIV integrase to be approved in 2009. Raltegravir is effective in reducing the viral load in HIV-infected patients. However, mutations in the viral integrase emerge that confer resistance to raltegravir. Also, raltegravir is dosed twice daily, and drug levels vary considerably between patients and even within the same patient from day to day. Raltegravir is also at risk of interaction with certain other drugs that are metabolised in the same way, which may cause jaundice. Despite these limitations, global sales of raltegravir in 2012 exceeded US$1 billion. A second integrase inhibitor (elvitegravir; Gilead) has recently been approved, but is cross-resistant with raltegravir, and requires pharmacokinetic boosting to obtain sufficient drug levels. Dolutegravir (ViiV Healthcare) is new integrase inhibitor with an activity profile different from raltegravir that is in clinical trials, which has activity against raltegravir-resistant virus, but must also be dosed twice daily in resistant patients.

The primary goal of Avexa's integrase project is to discover compounds that a) maintain activity against virus that is resistant to raltegravir and other integrase inhibitors and b) have improved pharmacokinetic properties compared to the currently marketed integrase inhibitors.

Avexa's first generation compounds had improved metabolic stability but were only active against the wild type virus. Second generation compounds were then discovered which possessed potent activity against both wild type and resistant HIV integrase but were very rapidly cleared when dosed in rats. Recently, however, two classes of compounds were discovered which showed surprisingly good levels of drug after both oral and intravenous dosing in rats, out to 24h after dosing, indicating that once daily dosing is possible. These results have now been extended to non-human primates, where very similar results were achieved. Both compounds were well tolerated, and showed good levels of drug even 24h after dosing. These compounds have the potential to be the first once daily integrase inhibitors for resistant patients.

Antibacterial project

Avexa's antibacterial portfolio was licensed to Valevia in November 2010. An extensive study of the activity of AVX13616 against clinical bacterial isolates revealed surprising activity against Clostridium difficile isolates. This bacterium is a growing problem, particularly in hospitals, where the increasing use of broad spectrum antibiotics has led to an increase in these infections in already vulnerable patients. Antibiotic resistance is also of growing concern. These results have enabled Valevia and Avexa to jointly apply for a grant from the UK to pursue this new application.

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Post Balance Date Events

On the 8th of February 2013, Avexa sold its remaining holding of 81,689,680 shares in Allied Healthcare (AHZ). The initial opportunity to invest in AHZ was identified whilst Avexa was reviewing its business and investment strategy. The objective of the initial investment was to assist AHZ to secure a larger share of the Coridon vaccine research and development business and also to help AHZ secure a listing on the ASX. Recently, Avexa has refined its business strategy with regard to its intellectual property assets (ATC, HIV integrase inhibitors and the antibiotic project) and has refined its investment strategy accordingly. In agreement with AHZ's management we have therefore undertaken an orderly exit from this investment. While the initial investment was of assistance to the growth of AHZ, it has also yielded a significant return on the initial investment. This will be used to promote Avexa's R&D programmes, for the benefit of Avexa's shareholders.

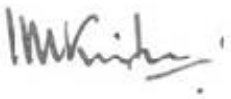
Other than the above there has not arisen since the end of the half-year, any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

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 six months ended 31 December 2012 and is set out on page 6 of this report.

Rounding off
The Company 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.

Dated at Melbourne this 21st day of February 2013.

Signed in accordance 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 review for the half-year ended 31 December 2012 there have been:

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

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

KPMG

KPMG

Paul McDonald
Partner

Melbourne

21 February 2013

AVEXA LIMITED ABN 53 108 150 750

Condensed statement of comprehensive income
for the six months ended 31 December

	Note	**31 December 2012 $'000**	31 December 2011 $'000
Revenue from operating activities	6	**232**	258
Contract research and development expenses		**(94)**	(466)
Raw materials and consumables expenses		**(2)**	(6)
Personnel expenses excluding share-based payment expenses		**(543)**	(625)
Share-based payment expenses		**(8)**	(15)
Occupancy expenses		**(677)**	(687)
Depreciation expenses		**(41)**	(75)
Asset management expenses		**(16)**	(22)
Legal and professional services expenses		**(163)**	(155)
Travel expenses		**(23)**	(32)
Insurance expenses		**(47)**	(54)
Intellectual property expenses		**(238)**	(157)
Other expenses		**(331)**	(169)
Results from operating activities		**(1,951)**	(2,205)
Net finance income	7	**92**	643
Income tax expense		**-**	-
Loss from operations for the period	16	**(1,859)**	(1,562)
Loss attributable to owners of the company	8	**(1,859)**	(1,562)
Other comprehensive income			
Items that may be reclassified subsequently to the income statement			
Net change in fair value of available for sale financial assets		**(127)**	(3,846)
Total comprehensive loss for the period		**(1,986)**	(5,408)
Earnings per share		**Cents**	Cents
Basic earnings per share	14	(0.22)	(0.18)
Diluted earnings per share	14	(0.22)	(0.18)

The Condensed Statement of Comprehensive Income is to be read in conjunction with the notes to the half-year financial statements set out on pages 11 to 16.

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for the six months ended 31 December 2012	**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		(1,859)		(1,859)
Total other comprehensive loss			(127)	(127)
Total comprehensive Income/(loss) for the period		**(1,859)**	**(127)**	**(1,986)**
Transactions with owners, recorded directly in equity				
Contributions by owners				
Transaction costs relating to issue of ordinary shares		-	-	-
Equity settled share-based payment transactions		**8**	**-**	8
Total contributions by owners		**8**	**-**	8
Total transactions with owners		**8**	**-**	8
Closing balance as at 31 December 2012	**182,523**	**(167,780)**	**308**	**15,051**

for the six months ended 31 December 2011	**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	**-**	(1,562)	-	(1,562)
Total other comprehensive loss	**-**	-	(3,846)	(3,846)
Total comprehensive income/(loss) for the period	**-**	**(1,562)**	**(3,846)**	**(5,408)**
Transactions with owners, recorded directly in equity				
Contributions by owners				
Transaction costs relating to issue of ordinary shares	-	**-**	**-**	-
Equity settled share-based payment transactions	-	**15**	**-**	15
Total contributions by owners	-	**15**	**-**	15
Total transactions with owners	**-**	**15**	**-**	15
Closing balance as at 31 December 2011	**182,523**	**(163,990)**	**2,429**	**20,962**

The Condensed Statement of Changes in Equity is to be read in conjunction with the notes to the half-year financial statements set out on pages 11 to 16.

AVEXA LIMITED ABN 53 108 150 750

Condensed statement of financial position

	Note	**31 December 2012 $'000**	30 June 2012 $'000
Assets			
Cash and cash equivalents		**11,883**	12,570
Investments	13	**2,968**	3,679
Trade and other receivables		**397**	822
Prepayments		**101**	224
Total current assets		**15,349**	17,295
Property, plant and equipment		**262**	325
Investments		**-**	-
Total non-current assets		**262**	325
Total assets		**15,611**	17,620
Liabilities			
Trade and other payables		**335**	284
Employee benefits	15	**77**	79
Unearned Income		**43**	-
Other		**78**	201
Total current liabilities		**533**	564
Employee benefits	15	**27**	27
Other		**-**	-
Total non-current liabilities		**27**	27
Total liabilities		**560**	591
Net assets		**15,051**	17,029
Equity			
Share capital	8	**182,523**	182,523
Fair Value Reserve		**308**	435
Accumulated losses	8	**(167,780)**	(165,929)
Total equity		**15,051**	17,029

The Condensed Statement of Financial Position is to be read in conjunction with the notes to the half-year financial statements set out on pages 11 to 16.

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Condensed statement of cash flows
for the six months ended 31 December

	31 December 2012 $'000	31 December 2011 $'000
Cash flows from operating activities		
Cash receipts	**763**	1,020
Cash paid to suppliers and employees	**(2,012)**	(2,733)
Interest received	**371**	482
Net cash used in operating activities	**(878)**	(1,231)
Cash flows from investing activities		
Equity investments	**367**	(762)
Loans to other entities	**(198)**	**-**
Acquisition of property, plant and equipment	**22**	(10)
Net cash used in investing activities	**191**	(772)
Net (decrease) / increase in cash and cash equivalents	**(687)**	(2,003)
Cash and cash equivalents at 1 July	**12,570**	16,387
Cash and cash equivalents at 31 December	**11,883**	14,384

The Condensed Statement of Cash Flows is to be read in conjunction with the notes to the half-year financial statements set out on pages 11 to 16.

1 Reporting entity

Avexa Limited (the 'Company') is a company domiciled in Australia. The condensed consolidated financial report of the Company as at and for the six months ended 31 December 2012 comprises the Company and its three subsidiary entities (together referred to as the "Group" and individually as "Group entities").

2 Statement of compliance

The condensed consolidated financial report is a general purpose financial report which has been prepared in Australian dollars in accordance with AASB 134: *Interim Financial Reporting* and the Corporations Act 2001.

The condensed consolidated financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Group as at and for the year ended 30 June 2012.This condensed consolidated financial report was approved by the Board of Directors on 21 February 2013.

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 have been rounded off to the nearest thousand dollars, unless otherwise stated.

3 Significant accounting policies

Except as described below, the accounting policies applied by the Group in this condensed consolidated financial report are the same as those applied by the Group in its financial report as at and for the year ended 30 June 2012.

4 Estimates

The preparation of condensed consolidated financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report as at and for the year ended 30 June 2012.

5 Basis of preparation

The consolidated financial statements have been prepared on a going concern basis, which assumes the settlement of liabilities and realisation of assets in the normal course of business. At 31 December 2012, the Group had $11.9 million of funds available to undertake all forecast activities for the 2013 financial year and beyond in accordance with the Group's strategy. This strategy includes investing in income generating opportunities whilst providing sufficient working capital for the Group beyond the 2013 financial year until such time as self-sustaining revenue streams are realised.

Should the directors of the Company be of the view in the future that the development of ATC should continue, additional funding will be required to conduct further Phase III trials and secure all the requisite marketing and regulatory approvals. In this case the Group may seek a partner for the project or pursue other avenues such as but not limited to capital raising, merger and acquisition and out-licensing available to the Group to secure the funding necessary for ATC to reach the market.

	31 December 2012	31 December 2011
	$'000	$'000

6 Revenue from operating activities

Rental income	**232**	252
Grant income	**-**	6
Total revenue from operating activities	**232**	258

	31 December 2012	31 December 2011
	$'000	$'000

7 Net finance income

Interest income	**310**	450
Realised Gains on Investments	**142**	535
Net Change in fair value of investments held for trading	**(360)**	(342)
Total Net Finance Income	**92**	643

8 Issued capital and accumulated losses

(i) Issued and paid up capital

847,688,779 (2011: 847,688,779) ordinary shares, fully paid	**182,523**	182,523

The following movements in ordinary shares were recorded during the half-year ended 31 December 2012.

	2012	2011	**2012**	2011
	Number of shares	Number of shares	**$'000**	$'000
Balance brought forward as at 1 July	**847,688,779**	847,688,779	**182,523**	182,523
Issue of shares pursuant to Share Purchase Plan	**-**	-	-	-
Balance carried forward as at 31 December	**847,688,779**	847,688,779	**182,523**	182,523

8 Issued capital and accumulated losses (continued)

(i) Issued and paid up capital

There were no dividends paid or proposed during the period ended 31 December 2012 or in the previous interim period. 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 Group, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

(ii) Employee Options

There were nil (2011: nil) options to acquire ordinary shares issued during the half-year ended 31 December 2012 under the Avexa Employee Share Option Plan ('ESOP').

There were no options exercised in the half year (2011: nil) and 1,500,000 (2011: 360,000) options expired or were cancelled during the period. Movements for the period are summarised in the following table.

Grant Date	**Expiry Date**	**Exercise Price: original / *current***	**No of options at beginning of year**	**Options Granted**	**Options cancelled / *exercised***	**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**	**-**	**(1,500,000)**	**1,770,000**

8 Issued capital and accumulated losses (continued)

(iii) Accumulated losses

	31 December 2012	31 December 2011
	$'000	$'000
Accumulated losses brought forward as at 1 July	**(165,929)**	(162,443)
Loss for period	**(1,859)**	(1,562)
Equity component of share-based payments	**8**	15
Accumulated losses carried forward as at 31 December	**(167,780)**	(163,990)

9 Events subsequent to balance date

On the 8th of February 2013, Avexa sold its remaining holding of 81,689,680 shares in Allied Healthcare (AHZ). The shares were purchased at an average price of $0.017 cents and were sold for $0.025 resulting in a profit of $673,028 across the period held.

There has not arisen any other item, transaction or event of a material and unusual nature 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

10 Contingent liabilities and contingent assets

There are no known significant contingent liabilities or contingent assets as at the date of this report.

11 Related parties

Key management personnel receive compensation in the form of short term employee benefits, post-employment benefits and equity compensation benefits (see Note 15). Key management personnel received total compensation of $292,582 for the six months ended 31 December 2012 (six months ended 31 December 2011: $328,337), comprising non share-based payment remuneration of $284,302 plus share-based payment remuneration of $8,280. Total remuneration is included within 'Personnel expenses' and 'Share-based payment expense' in the Income Statement.

12 Financial instruments

The Group did not enter into any foreign currency hedging arrangements or other derivative financial instruments during the financial period.

13 Investments

	31 December 2012	31 December 2011
Investments in equity instruments	**$'000**	$'000
Balance brought forward as at 1 July	**3,679**	8,986
Net change in fair value of investments in equity instruments	**(486)**	(4,188)
Acquisitions	**-**	4,336
Disposals	**(225)**	(2,834)
Investments carried forward as at 31 December	**2,968**	6,300

Net realised gains on investments for the period were $142,221 (31 December 2011: $534,957).

14 Earnings per share

(i) Earnings reconciliation	**31 December 2012**	31 December 2011
Net loss:	**$'000**	$'000
Basic earnings	**(1,859)**	(1,562)
Diluted earnings	**(1,859)**	(1,562)

(ii) Weighted average number of shares used as the denominator	**Number**	Number
Number for basic earnings per share:		
Ordinary shares	**847,688,799**	847,688,799
Number for diluted earnings per share:		
Ordinary shares	**847,688,779**	847,688,779
Effect of share options on issue	**7,270,000**	3,193,248
	854,958,779	850,882,027

All options have exercise prices between $0.06 and $0.62 and have been treated as anti-dilutive in nature for the purposes of calculating diluted earnings per share.

15 Employee benefits

(i)

Details of total employee benefits as at balance sheet date are provided in the following table.

	31 December 2012	30 June 2012
	$'000	$'000
Liability for incentive performance payments	**-**	15
Liability for long service leave	**27**	27
Liability for annual leave	**77**	64
Total employee benefits	**104**	106

(ii) Share-based payments

During the six months ended 31 December 2012, no grants of options have been made as disclosed. The fair values of services received in return for share options granted to Directors are measured by reference to the fair value of the options granted. The fair value of the options is calculated at the date of grant using a binomial model or a Monte-Carlo simulation model for the most recently issued options 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.

During the six months ended 31 December 2012 the Group recognised an expense of $8,280 (2011: $14,833) related to the fair value of options issued by the Company in prior periods.

16 Segment reporting

Information about reportable segments
For the six months ended 31 December 2012

	Research & Development		Listed Investments		Total	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000	**2012 $'000**	2011 $'000
External revenues	542	701	(218)	200	324	901
Inter-segment revenue	-	-	-	-	-	-
Reportable segment profit before tax	(1,497)	(1,713)	(362)	151	**(1,859)**	(1,562)

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.

The total segment assets of Listed Investments segment at 31 December 2012 is $2,967,983 (30 June 2012: $3,678,990).

17 Group entities

Significant subsidiaries

For the six months ended 31 December 2012	**Country of Incorporation**	**Ownership interest**	
		31 December 2012	**31 December 2011**
AVI Capital Pty Ltd	Australia	100	100
Avexa Inc	USA	100	100
Avexa Ltd	UK	100	100
Avi Capital Inc	USA	100	-

AVEXA LIMITED ABN 53 108 150 750

Directors' declaration

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

(a) the condensed financial statements and notes set out on pages 11 to 16, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2012 and of its performance for the six months period ended on that date; and

(ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

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

Dated at Melbourne this 21st day of February 2013.

Signed in accordance with a resolution of the directors.

Mr I Kirkwood
Chairman

KPMG

Independent auditor's review report to the members of Avexa Limited

Report on the financial report

We have reviewed the accompanying half-year financial report of Avexa Limited, which comprises the condensed statement of financial position as at 31 December 2012, condensed statement of comprehensive income, condense statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes 1 to 17 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 half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Avexa Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Avexa Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Paul McDonald
Partner

Melbourne

21 February 2013