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ASX RELEASE

AVEXA RELEASES JUNE 2010 RESULTS AS IT INITIATES INDEPENDENT REVIEW OF ASSETS

MELBOURNE, AUSTRALIA, 26 August 2010. Avexa Limited (ASX: AVX) today lodged its Preliminary Final Report and audited financial accounts for the full year to 30 June 2010. The company reported a net loss of $41.5 million for the 2010 financial year, this was 14.6% greater than the $36.2 million loss of 2009.

The loss for 2010 was substantially impacted by a $25.8 million provision for impairment against the Company's intangible asset. This was a non-cash charge against the operating result. Net cash expensed through operating activities for the 2010 financial year was $16.8 million, a 58.8% reduction on the $40.8 million spent in the prior year.

Key matters impacting the result for the year were:

- The AVX-301 study (one of the studies in the development plan for ATC) was concluded early when all patients reached 24 weeks. At that time the data from this study was unblinded and analysed
- As a result of this, Research and Development expenses were $21 million lower than the prior year
- Detailed results from the Phase III study at 24 weeks were provided to interested parties as part of a process designed to secure a licensing transaction for ATC
- In May 2010, after the last party involved in this licensing process notified Avexa that it did not intend to submit a term sheet, the previous Board decided to cease activities for the ATC program and put Avexa's early stage programs on hold pending a strategic review.
- In the ten months prior to May 2010 the Company had continued to progress the HIV integrase and antibacterial projects towards preclinical studies. The Company had also continued its activity in HCV through its Chinese based collaboration and a collaboration with CSIRO.
- As a result of the decision taken by the previous Board, concerning ATC, the recoverable amount of the Company's intangible asset could not be reasonably estimated. As a consequence, and to fully comply with current accounting standards, the new Board has taken the view that the asset was significantly impaired and a full provision for impairment against the $25.8 million carrying value of the North American marketing licence for ATC was required. In the event that the independent review advises that ATC holds value, this provision may be partially or wholly reversed.
- The Company held cash assets of $24.3 million at 30 June 2010.

Actions subsequent to year end

As announced on 13 July 2010, the new Board is progressing an independent expert review of all of Avexa's assets. The objective of this review will be to determine and extract maximum value from Avexa's assets, including ATC, for the benefit of all shareholders. In doing so the directors are ever mindful of the need for the responsible management of the Company's cash resources. The Board has shortlisted three experts with significant biotechnology experience and expects to announce the successful party very shortly.

In parallel with the independent review, Avexa is exploring options for its lead asset apricitabine (ATC). An important undertaking in this process is to meet with major regulatory authorities to discuss possible options for ATC.

About Avexa

Avexa Limited is a Melbourne-based biotechnology company with a focus on research and development of small molecules for the treatment of infectious diseases.

For more information:

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Rule 4.3A

Appendix 4E

Preliminary final report for the year ended 30 June 2010

Name of entity:

Avexa Limited

ABN:

53 108 150 750

Results for announcement to the market

	$A'000
Revenue from ordinary activities:	Decrease of 48.6% to 1,696
Loss from ordinary activities after tax attributable to members:	Increase of 14.6% to (41,488)
Net loss for the year attributable to members:	Increase of 14.6% to (41,488)

Dividends

It is not proposed to pay dividends.

There are no dividend or distribution reinvestment plans in operation and there have been no dividend or distribution payments during the financial year ended 30 June 2010.

No explanation considered necessary to explain any of the above other than as provided within this report.

Commentary on results for the year and Significant Information

Principal activities

The principal activity of the Company during the course of the financial year was the development, for commercialisation, of anti-infective pharmaceutical programs and projects. The Company is incorporated and domiciled in Australia, and with a registered office and principal place of business located at 576 Swan Street, Richmond, VIC 3121.

Avexa Limited is a Melbourne-based biotechnology company with a focus on research and development of anti-infectives. The Company has been developing drugs for the treatment of infectious diseases which have a significant unmet medical need. The Company's lead program is apricitabine (ATC), the clinical development of which is currently on hold pending the results of an independent review of

Avexa's assets and consideration by Avexa's Board of the recommendations and outcomes from this review. In parallel with the independent review Avexa is planning to meet with major regulatory authorities to discuss a new clinical trial design, to determine the shortest and least risky route to approval.

Review and results of operations

Apricitabine (ATC)

In the 2010 financial year the AVX-301 study (one of the studies in the development plan for ATC) was concluded early when all patients reached 24 weeks. At that time the data from this study was unblinded and analysed. Detailed results from this study at 24 weeks were then provided to interested parties as part of a formal process designed to secure a licensing transaction in regard to ATC. In May 2010, after the last party involved in this process notified Avexa that it did not intend to submit a term sheet, the previous Board decided to both cease all activities for the ATC program and put Avexa's early stage programs on hold pending a strategic review. As a result of the decisions taken by the previous Board the new Board has taken the view that the recoverable amount of the Company's intangible asset has been significantly impaired. Accordingly to comply fully with current accounting standards a full provision is required for impairment against the $25.8 million carrying value of the North American marketing licence for ATC. An impairment expense of $25.8 million has been booked against the operating result for the year ended 30 June 2010. This accounting treatment is supported by the Company's auditors.

Following the General Meeting in July 2010, the new Board initiated an independent review of the Company's assets including apricitabine (ATC), to which the impaired intangible asset relates. Until the independent expert review is completed and the new Board has had the opportunity and time to consider its recommendations the recoverable amount of this intangible asset for accounting purposes cannot be reasonably estimated to be greater than $Nil. Shareholders should note that, in the event of the independent review advising that ATC holds value, the provision for impairment may be partially or wholly reversed.

HIV, the virus that causes AIDS, "acquired immunodeficiency syndrome," has become one of the world's most serious health and development challenges. Since the first cases were reported in 1981 more than 25 million people have died of AIDS worldwide, and another 33.4 million are currently living with HIV/AIDS.

Most new infections are transmitted heterosexually, although risk factors vary. Although HIV testing capacity has increased over time, enabling more people to learn their HIV status, the majority of people with HIV are still unaware they are infected.

Two million people died of AIDS in 2008, up from 1.9 million in 2001, but deaths are now declining due in part to antiretroviral treatment (ART) scale-up.

Treatment of human immunodeficiency virus (HIV) infection involves a cocktail of drugs, usually two nucleoside reverse transcriptase inhibitors (NRTIs) in combination with another drug(s) from a different class of anti-HIV drug. Apricitabine (ATC) is Avexa's NRTI for the treatment of HIV infection and, like other NRTIs, acts by inhibiting the HIV-1 reverse transcriptase enzyme, which is essential for replication of the virus.

Apricitabine ("ATC") is Avexa's most clinically advanced, and therefore the company's most important asset. Although there have been setbacks in the program, ATC has many positive features which provide a rationale to further investigate the commercial potential of this drug.

ATC is one of a class of drugs known as a Nucleoside Reverse Transcriptase Inhibitors ("NRTIs") and has been shown, in Phase 1 and Phase 2 clinical trials, to be an effective treatment for HIV-1 infection ("HIV").

ATC works by targeting the most common resistance mutation that occurs when patients with HIV fail commonly used first line therapies. ATC has demonstrated extremely good safety and tolerability, which is becoming a particularly important issue as HIV patients live longer.

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, which may promote treatment adherence. One of the challenges in the treatment of HIV infection is the development of drug resistance, which is a major cause of treatment failure. Resistance to ATC itself has not been observed during clinical trials of ATC. These properties of ATC indicate that it should be able to be given long term, which is necessary for the successful treatment of HIV, without its effectiveness being limited by side effects or the development of resistance.

Another advantage of ATC is that it has very few drug to drug interactions and is therefore very easy to dose with other HIV drugs or concomitant medicines (medicines that are taken together). This is an important feature, as most HIV patients will be taking at least three treatments concurrently, and more as their resistance to treatment increases. Unlike ATC, a number of other HIV drugs require complicated dose adjustments or cannot be used with other drugs.

There is growing concern about the lack of new drugs being developed to treat HIV. ATC is the only NRTI currently in late stage development. Presently only three other drugs from different classes are in late stage development for the treatment of HIV: rilpivirine, elvitegravir and GSK's integrase inhibitor.

For these reasons there is support from patient organisations such as AIDS Treatment Activists Coalition and European AIDS Treatment Group to continue the development of ATC.

These factors indicate there may be a clinical need for ATC which justifies exploration of its market potential and overall value as part of the independent review process.

The first step the Company expects to take – in parallel with the independent review - is to meet with major regulatory authorities to discuss a new clinical trial design, to determine the shortest and least risky route to approval. The trial strategy will be designed to reduce the risk of failure, identify the appropriate patient population and positioning for the treatment, better demonstrate the differences between ATC and the existing treatments, and demonstrate the efficacy of the drug in a manner that is suitable for regulatory approval.

Drug discovery and development

In the ten months prior to May 2010 the Company continued to progress the HIV integrase and antibacterial projects towards preclinical studies. The Company also continued its activity in HCV through its Chinese based collaboration and its collaboration with CSIRO. Further comments on the projects referred to above are provided in the following paragraphs.

HIV Integrase

According to the World Health Organisation, HIV infection leading to AIDS has become the fourth largest cause of death globally.

The replication cycle of HIV contains a number of key enzymes and processes that are essential for virus replication and which are therefore good targets for the discovery of effective antiviral drugs. The three key enzymes for HIV are the Reverse Transcriptase (the target of ATC), protease, and integrase.

The aim of this program is to identify compounds that can inhibit HIV integrase - the enzyme that enables the virus to be inserted into the host cell DNA, thus enabling the HIV virus to reproduce and then spread. Avexa has discovered a number of series of these molecules which offer improvements over the current treatment, Merck's Isentress®. Avexa is focused on developing once-a-day, non-boosted integrase inhibitors that targets viruses resistant to the existing integrase inhibitors that are either on the market or in late stage development. Avexa's earliest series has recently been licensed to Shanghai Institute of Organic Chemistry (SIOC) in China. This licensing deal will see SIOC take on all of the development costs for one of Avexa's HIV integrase inhibitor programs. Avexa will receive 50 percent of any net commercialisation revenues. Avexa retains all development and marketing rights for the program outside of China.

Antibiotic Resistant Infections

Severe bacterial infections that are resistant to current antibiotics are becoming more frequent. Five to ten percent of patients admitted to hospital in the United States develop some level of hospital acquired infection. Many of these infections given the setting in which they are acquired are resistant to standard

of care antibiotics. The development of these antibiotic resistant bacterial strains has resulted in continued market opportunities for new compounds which act against resistant strains of bacteria.

Resistance to antibiotics such as vancomycin and methicillin is a significant medical problem. Avexa's antibacterial program is focussed on identifying compounds with antibacterial activity against these antibiotic-resistant microorganisms.

Avexa has generated a series of novel compounds which have anti-bacterial activity against microorganisms which have developed a resistance to antibiotics. Avexa's compounds are active in a range of microorganisms including strains that are resistant to the antibiotics vancomycin, methicillin and mupirocin. A lead molecule, AVX13616, has been selected for pre-clinical testing. In addition to this line of discovery, these new compounds have shown potent activity against a medically significant and not well treated bacterium called Clostridium difficile. Often called "C. diff," it is a bacterium that can cause symptoms ranging from diarrhea to life-threatening inflammation of the colon. Illness from C. difficile most commonly affects older adults in hospitals or in long term care facilities and typically occurs after use of antibiotic medications. In recent years, C. difficile infections have become more frequent, more severe and more difficult to treat. Each year, tens of thousands of people in the United States get sick from C. difficile, including some otherwise healthy people who aren't hospitalized or taking antibiotics

Hepatitis C Virus (HCV)

Hepatitis C is an infectious disease that is a leading cause of chronic liver disease that results in liver inflammation, cirrhosis and liver cancer. The disease is blood-borne and the virus spreads within its host by replicating its RNA and using this to make the components that form new viruses. HCV affects over 180 million people globally. The current standard of care is a combination of interferon and the antiviral drug ribavirin, however, this treatment is effective in only about half of HCV-infected patients and may be accompanied by serious side effects.

Avexa has set the goal of finding an orally bioavailable, once-a-day drug for the treatment of HCV infection. We have screened a number of libraries from diverse sources and identified a number of promising hits. These hits have been validated against a series of counterscreens to remove non-specific hits and compounds with intrinsic flaws, and represent a set of high quality leads upon which a number of medicinal chemistry studies could be built.

Capital and corporate structure

During the financial year ended 30 June 2010 the following material movements in share capital occurred:

- in December 2009 and January 2010, 166,608,240 ordinary shares were issued at a price of $0.14 per share pursuant to a Share Purchase Plan and a related placement of shares.

There were no changes to the corporate structure of Avexa during the financial year ended 30 June 2010. The Company maintains a legal presence in UK and US through a wholly owned subsidiary in each country. The US and UK entities have no employees at 30 June 2010 and are maintained at minimum cost through representative offices. Contract personnel are engaged as required to assist with overseas activities.

Statement of financial performance (Income statement)
For the year ended 30 June 2010

	Note	**Current period - $A'000**	Previous corresponding period - $A'000
Licence fee and royalty income		-	-
Other income from ordinary activities		1,696	3,298
Total revenue from ordinary activities	1(a)	**1,696**	**3,298**
Contract research and development costs	1(b)	(6,848)	(27,125)
Employee expenses		(4,318)	(5,797)
Share-based payment expense		(453)	(561)
Depreciation & loss on disposal of equipment	1(b)	(237)	(263)
Impairment of marketing licence	1(b)	(25,762)	-
Merger proposal costs		-	(1,077)
Occupancy		(1,794)	(1,232)
Consulting		(293)	(361)
Professional costs		(379)	(270)
Travel and accommodation		(496)	(582)
Raw materials and consumables used		(547)	(432)
Asset management expenses		(247)	(255)
Insurance		(195)	(207)
Corporate administration		(382)	(244)
Intellectual property		(671)	(360)
Other expenses from ordinary activities	1(b)	(562)	(750)
Profit / (loss) from ordinary activities before related income tax expense		**(41,488)**	**(36,218)**
Income tax expense relating to ordinary activities		-	-
Net profit / (loss)		**(41,488)**	**(36,218)**
Net profit attributable to outside equity interests		-	-
Total changes in equity from non-owner related transactions attributable to members of the Company		**(41,488)**	**(36,218)**
Basic earnings per share (ordinary shares)	13	**(5.4)**	**(7.0)**
Diluted earnings per share (ordinary shares)	13	**(5.4)**	**(7.0)**

Statement of changes in equity for the year ended 30 June 2010

	Issued capital $'000	Accumulated losses $'000	Total Equity $'000
Opening balance as at 1 July 2009	**159,902**	**(117,119)**	**42,783**
Non-profit items recognised directly in equity:			
Equity settled share-based payment transactions	-	453	453
Non-profit items recognised directly in equity	**-**	**453**	**453**
Loss for the period	-	(41,488)	(41,488)
Total recognised income and expense for the period	**-**	**(41,488)**	**(41,488)**
Shares issued pursuant to placement	8,001	-	8,001
Shares issued pursuant to share purchase plan	15,324	-	15,324
Transaction costs relating to share purchase plan and placement	(704)	-	(704)
Equity-related transactions	**22,621**	**-**	**22,621**
Closing balance as at 30 June 2010	**182,523**	**(158,154)**	**24,369**

Statement of changes in equity for the year ended 30 June 2009

	Issued capital $'000	Accumulated losses $'000	Total Equity $'000
Opening balance as at 1 July 2008	**137,238**	**(81,462)**	**55,776**
Non-profit items recognised directly in equity:			
Equity settled share-based payment transactions	-	561	561
Non-profit items recognised directly in equity	**-**	**561**	**561**
Loss for the period	-	(36,218)	(36,218)
Total recognised income and expense for the period	**-**	**(36,218)**	**(36,218)**
Shares issued to Shire (Note 18)	5,749	-	5,749
Shares issued pursuant to Rights Issue and placement	17,948	-	17,948
Transaction costs relating to Rights Issue and placement	(1,033)	-	(1,033)
Equity-related transactions	**22,664**	**-**	**22,664**
Closing balance as at 30 June 2009	**159,902**	**(117,119)**	**42,783**

Statement of financial position (Balance sheet)
As at 30 June 2010

	Note	**Current period - $A'000**	Previous corresponding period - $A'000
Current assets			
Cash assets	3	24,306	18,827
Receivables	4	341	278
Other	7	178	178
Total current assets		**24,825**	**19,283**
Non-current assets			
Intangibles	5	-	25,762
Property, plant and equipment	6	653	732
Total non-current assets		**653**	**26,494**
Total assets		**25,478**	**45,777**
Current liabilities			
Payables	8	693	2,456
Employee benefits	9	36	417
Deferred income		-	82
Other	10	123	-
Total current liabilities		**852**	**2,955**
Non-current liabilities			
Employee benefits	9	13	39
Other	10	244	-
Total non-current liabilities		**257**	**39**
Total liabilities		**1,109**	**2,994**
Net assets		**24,369**	**42,783**
Equity			
Issued capital	11	182,523	159,902
Accumulated losses	2	(158,154)	(117,119)
Total equity		**24,369**	**42,783**

Statement of cash flows
For the year ended 30 June 2010

	Note	**Current period - $A'000**	Previous corresponding period - $A'000
Cash flows from operating activities			
Cash receipts in the course of operations		619	1,785
Cash payments in the course of operations		(18,350)	(43,978)
Interest received		885	1,428
Net cash used in operating activities	23	**(16,846)**	**(40,765)**
Cash flows from investing activities			
Payments for property, plant and equipment		(158)	(69)
Merger proposal costs (net of break fees received)		-	(573)
Net cash used in investing activities		**(158)**	**(642)**
Cash flows from financing activities			
Proceeds from issues of shares		23,325	17,948
Costs of raising share capital		(704)	(1,033)
Net cash provided by financing activities		**22,621**	**16,915**
Net (decrease) / increase in cash held		**5,617**	**(24,492)**
Cash at the beginning of the financial year		**18,827**	**43,411**
Effect of exchange rate fluctuations on cash held		**(138)**	**(92)**
Cash at the end of the financial year	22	**24,306**	**18,827**

Notes to the Statement of financial performance

1 Revenue and expenses from ordinary activities

(a) Revenues	Current period - $A'000	Previous corresponding period - $A'000
Interest income	995	1,460
Government grants	398	819
Lease income	303	515
Merger proposal break fees	-	504
Total revenue from ordinary activities	**1,696**	**3,298**

(b) Expenses		
Depreciation of Plant and equipment	(235)	(263)
Contract research and development (Note 1(c))	(6,848)	(27,125)
Impairment of Marketing Licence (Note 5)	(25,762)	-
Amounts transferred to/from provisions for:		
- Employee benefits	407	102
Other expenses:		
- Advertising and promotion	(233)	(376)
- Workplace administration	(92)	(207)
- Finance expenses	(157)	(99)
- Other expenses	(80)	(68)
Total Other expenses	**(562)**	**(750)**

(c) Research and Development (R&D)

Contract research and development expenditure	(6,848)	(27,125)
Direct research and development expenditure	(4,529)	(5,531)
Total R&D expenditure for the year	**(11,377)**	**(32,656)**

Notes to the Statements of changes in equity, financial position and cash flows

2 Accumulated losses

	Current period - $A'000	Previous corresponding period - $A'000
Accumulated losses at the beginning of the financial year	(117,119)	(81,462)
Net loss attributable to members	(41,488)	(36,218)
Net transfers from / (to) reserves	-	-
Net effect of changes in accounting policies	-	-
Share-based payment expense	453	561
Dividends and other equity distributions paid or payable	-	-
Accumulated losses at the end of the financial year	**(158,154)**	**(117,119)**

3 Cash assets

Cash at bank and on hand	374	244
Bank short term deposits	23,932	18,583
Cash assets	**24,306**	**18,827**

Interest on cash at bank is credited at prevailing market rates. The weighted average interest rate at reporting date was 5.4% (2009: 3.4%).

4 Receivables

Current		
Other debtors	**341**	**278**

5 Intangibles

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

Based on the information available at the date of signing the financial report, the directors are of the view that a full provision for impairment against the carrying value of the North American marketing licence for ATC is required. During the financial year ended 30 June 2010 the Company announced that the ATC Phase III study would be closed and that the data from this study would be unblinded and analysed. Following that decision detailed results from this study at 24 weeks were provided to

interested parties as part of a formal process designed to secure a licensing transaction. In May 2010, the last party involved in this process notified Avexa that it did not intend to submit a term sheet. The Board of Avexa at that time decided to cease further development of ATC following this unsuccessful conclusion of partnering discussions with global pharmaceutical companies. Consequently, the Company ceased all activities for this program while Avexa commenced a strategic review of all of its programs. As a result of the decisions taken by the Board incumbent at that time and leading up to 30 June 2010, the directors are of the view that the recoverable amount of the intangible asset has been significantly impaired and cannot reasonably be estimated.

Following a General Meeting of shareholders in July 2010, the new directors of the Company have initiated an independent review of the Company's assets including apricitabine (ATC), to which the impaired intangible asset relates. Until the independent review of the Company's assets has been completed and the directors of the Company make any further decisions in relation to any future development of or prospects for ATC, the recoverable amount of the Company's intangible assets cannot be reasonably estimated to be greater than $Nil. 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.

6 Property, plant and equipment

	Current period - $A'000	Previous corresponding period - $A'000
Plant and equipment (at cost)	1,447	1,318
Less: Accumulated depreciation	(794)	(586)
Property, plant and equipment	**653**	**732**

7 Other assets

Prepayments	**178**	**178**

8 Payables

Trade creditors and accruals	**693**	**2,456**

9 Employee benefits

Current		
Employee benefits	**36**	**417**
Non-current		
Employee benefits	**13**	**39**

The discount rate adopted in the present value calculation of non-current employee entitlements is 6.0% (2009: 6.0%). The carrying value of employee entitlements approximates fair value.

10 Other liabilities

	Current period - $A'000	Previous corresponding period - $A'000
Current		
Onerous contracts provision	**123**	**-**
Non-current		
Onerous contracts provision	**244**	**-**

11 Issued capital

Issued and paid up capital

	Number	Number
847,688,779 (2009: 681,080,539) ordinary shares, fully paid	**847,688,779**	681,080,539

Movements in issued capital during the year were as follows:

	$'000	Number
Issued capital at the beginning of the financial year	159,902	681,080,539
Issue of shares pursuant to Rights Issue	15,324	109,458,240
Issue of shares pursuant to placement	8,001	57,150,000
Transaction costs relating to prior year placements and prospectus offers	(704)	-
Issued capital at the end of the financial year	**182,523**	**847,688,779**

Options to acquire ordinary shares
During the financial year nil (2009: 12,260,000) options were issued to employees under the Avexa Employee Share Option Plan, 3,390,000 (2009: 7,505,000) options held by employees lapsed or were forfeited and nil (2009: nil) were exercised. Movements in options for the 2010 financial year comprise the following:

Options	Exercise Price	No of options at beginning of year	Options granted	Options lapsed / forfeited	Options exercised	No of options at end of year
Total employee options	Various	15,255,000	-	(3,390,000)	-	11,865,000
Shire options	$0.704 #	4,000,000	-	-	-	4,000,000
Total options		**19,255,000**	**-**	**(3,390,000)**	**-**	**15,865,000**

Exercise price adjusted from 70.4 cents to 63.2 cents in accordance with ASX Listing Rule 6.22.

12 Net tangible assets per ordinary security

	Current period - $A'000	Previous corresponding period - $A'000
Net tangible assets	**24,369**	**17,021**
Issued share capital at reporting date	**Shares 847,688,779**	**Shares 681,080,539**
Net tangible assets per ordinary security	**2.9 cents**	**2.5 cents**

13 Earnings per security (EPS)

	Current period - $A'000	Previous corresponding period - $A'000
a) Earnings reconciliation		
Net loss:		
Basic earnings	**(41,488)**	**(36,218)**
Diluted earnings	**(41,488)**	**(36,218)**
b) Weighted average number of shares	**Number**	**Number**
Number for basic earnings per share:		
Ordinary shares	**768,674,455**	**459,963,231**
Ordinary shares - after applying adjustment factor under AASB 133 for the discounted issue price which applied for the April 2009 Rights Issue .	**-**	**516,500,996**
Number for diluted earnings per share:		
Ordinary shares	**768,674,455**	**516,500,996**
Effect of share options on issue	**18,880,328**	**20,254,726**
	787,554,783	**536,755,722**

14 Returns to shareholders

There have been no returns to shareholders during the financial year.

15 Control gained over entities having material effect

There are no entities having material effect over which the Company gained control during or subsequent to the financial year ended 30 June 2010.

16 Loss of control of entities having material effect

There are no entities over which the Company lost control during or subsequent to the financial year ended 30 June 2010.

17 Material interests in entities which are not controlled entities

There were no material interests in entities other than controlled entities held at any time during or subsequent to the financial year ended 30 June 2010.

18 Non-cash financing and investing activities

There have been no non-cash financing and investing transactions during the 2010 financial year which have had a material effect on assets and liabilities of the Company.

In the prior financial year the Company announced that it had renegotiated its licence arrangements with Shire Canada Inc. for its apricitabine (ATC) program. As part of the renegotiation, Avexa issued Shire with USD 5 million (AUD 5.749 million) worth of new equity equal to 18.6 million shares. These new shares, of which 14,913,471 were issued on 27 August 2008 and 3,728,368 were issued on 10 September 2008, were held in escrow for 12 months.

19 Segment reporting

The Company comprises a single business segment (anti-infective research and development). Although the Company's clinical trials were conducted in a number of countries there was no income derived from these activities, as such activities were controlled from Australia. Although the Company has established overseas subsidiaries in the US and UK, the operations of these entities were immaterial. No segment reporting has therefore been prepared.

20 Factors affecting the results in the future

Following a General Meeting of shareholders in July 2010, the new directors of the Company have initiated an independent review of the Company's assets including apricitabine (ATC). Following the completion of the independent review, the directors of the Company will consider the recommendations of this review and may make further decisions in relation to any future development of or prospects for ATC and the Company's early stage programs.

On 9 August 2010 the Company received a notice under section 249D of the Corporations Act from its largest shareholder, Calzada Limited, requesting the convening of a general meeting of the Company. The notice requests that resolutions be put seeking the removal of all current members of the Avexa board of directors and the appointment of Mr Bruce Rathie, Dr John Chiplin, Dr Stewart Washer and Dr David Fuller as directors of the Company. The Company has complied with this request under the Corporations Act and this meeting will be held on 28 September 2010.

Other than the above, 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 Company, the results of those operations, or the state of affairs of the Company in future financial years.

21 Franking credits available

There are no franking credits available at reporting date.

22 Reconciliation of cash

Reconciliation of cash at the end of the financial year (as shown in the statement of cash flows) to the related items in the accounts is shown in the following table.

	Current period - $A'000	Previous corresponding period - $A'000
Cash on hand and at bank	374	244
Bank short term deposits	23,932	18,583
	24,306	**18,827**

23 Reconciliation of loss from ordinary activities after related income tax to net cash used in operating activities

	Current period - $A'000	Previous corresponding period - $A'000
Loss from ordinary activities after income tax	(41,488)	(36,218)
Add / (less) non-cash items:		
- Depreciation and loss on disposal of equipment	237	263
- Share-based payment expense	453	561
- Merger proposal costs (net of break fees)	-	573
- Impairment of marketing licence	25,762	-
- Foreign exchange losses	138	92
Change in assets and liabilities:		
- Increase / (decrease) in Employee benefits	(407)	(102)
- (Increase) / decrease in Receivables	(63)	75
- (Increase) / decrease in Other assets	-	(98)
- Increase / (decrease) in Deferred Income	(82)	82
- Increase / (decrease) in Payables	(1,763)	(5,993)
- Increase / (decrease) in Other liabilities	367	-
Net cash used in operating activities	**(16,846)**	**(40,765)**

24 Compliance statement

This report has been prepared in accordance with Australian Accounting Standards Australian Accounting Standards (including the Australian Accounting Interpretations).

This report is based on accounts which have been audited. The unqualified audit report by the auditor is attached.

Sign here: 

Date: 26 August 2010

CFO & Company Secretary

Print name: Stephen Kerr

KPMG

Independent auditor's report to the members of Avexa Limited

Report on the financial report

We have audited the accompanying financial report of Avexa Limited (the Company), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 29 and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies 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 and fair presentation of the financial report 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 (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company'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.

KPMG

Independence

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

Auditor's opinion

In our opinion:

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

   i. giving a true and fair view of the Company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

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

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

Report on the remuneration report

We have audited the Remuneration Report included in pages 8 to 14 of the directors' report for the year ended 30 June 2010. 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 2010, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Paul J McDonald
Partner

Melbourne
26 August 2010