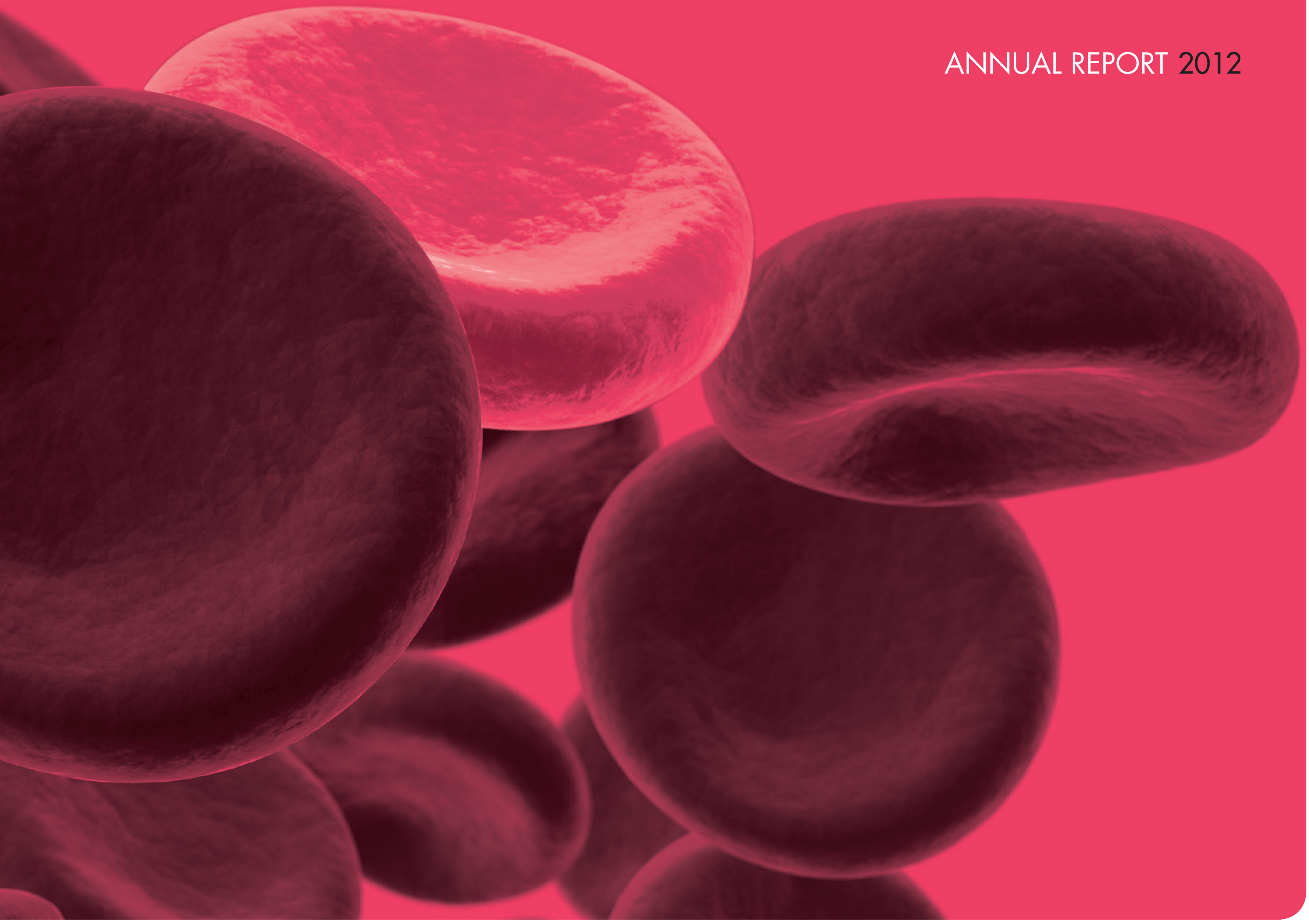
AGENIX

ANNUAL REPORT 2012



AGENIX LIMITED ABN: 58 009 213 754

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Executive Chairman’s Report FOR THE YEAR ENDED 30 JUNE 2012

Nicholas Weston
Chairman and Chief Executive Officer

Although 2012 was a difficult year for many businesses given the harsh market conditions, Agenix has stuck to its knitting and is well placed to enjoy some significant milestones in the near term.

Operationally, the Company is in better shape than it was this time last year. The following review outlines the progress we have made in FY2012. This report is my fourth as Chairman and third as Chief Executive Officer. It summarises the important changes and progress we have made to create a first rate business that is preparing for significant and sustained long-term revenue.

Agenix has developed the first functional imaging tool for accurate detection of pulmonary embolisms. Commercialising this blockbuster diagnostic will be a company transforming event. For this reason, Agenix continues to stick to its knitting through the vicissitudes of the market and we remain focussed on what has always been our objective of building a sustainably profitable business that will deliver satisfactory returns to shareholders. Our share price has been impacted by an extremely difficult economic climate for companies at our end of the market. However, your Board continues to take a long-term view of the Company’s prospects and remains confident that we have the intellectual assets and people to achieve that goal.

Business development efforts have focussed on partnering the Company’s lead diagnostic indicator, ThromboView®, a contrast agent that binds to and identifies active clots, with less adverse events and pre-clinical research on a highly promising drug for the world’s largest hepatitis B market, China.

Agenix operates with a business model focussed on developing its existing assets and acquiring affordable assets where near term revenue or turnaround opportunities are possible and coupling them to a lean corporate cost structure and, in the case of our hepatitis B program, China infrastructure. Our business model is based on the goal of partnering with others to commercialise our assets, so the business aims to generate a significant amount of revenue from payments by partners for access to technology fees, royalties and milestones with the potential to generate significant revenue in the future.

Financial Results

The Group’s loss for the year ended 30 June 2012 was $1,355,204, representing a 50% decrease in costs compared to the loss of $2,707,451 in the previous financial year. Total income for FY2012 was $26,412, down from $219,690 in the previous financial year due to the receipt of interest in FY2011 totalling $153,508 in respect of the China settlement.

Operating expenses for the year totalled $1,381,616, compared with the previous financial year of $2,177,567, which excludes the charge in FY2011 of $907,018 in relation to costs associated with the China settlement and the write back in respect of surplus lease accrual of $157,185. Current assets at 30 June 2012 were $74,478 (2011: $1,946,451). Total liabilities at 30 June 2012 were $169,307 (2011: $849,552). The change in current assets reflects the further investment in AGX-1009 and the reduction of liabilities by $680,245.

To put this achievement into context, shortly before I stepped in as Chairman, the Company’s total liabilities stood at $6.4 million. Of this $3 million was converted to equity. A total of $7.6 million was recovered from China, which amounted to $6.9 million after costs. The funds were used to acquit the remaining legacy liabilities of $3.4 million, $1.1 million for the acquisition of AGX-1009 and contribution to overhead cover of $2.4 million over a four year period to the present time. Our current negative cash flow, including drug development expenses, averages $115,000 monthly. This is a remarkable achievement.

Capital Management

We continue to cultivate a culture of performance, accountability and restraint. The Board declined an opportunity to conduct a capital raising in late 2011 that would have resulted in a major dilution of existing shareholders. The Company's balance sheet was reinforced in April 2012 by successfully obtaining a $1.2 million equity investment from Fortrend Securities which is paid to the Company in monthly instalments of $100,000.

Our focus is on ensuring that Agenix can weather the current economic climate in a sound financial position, well placed to prosper once we partner our highly promising technologies.

We are planning a modest equity raising in the near term aimed at bolstering the Company's financial strength until key near-term value-accreting milestones are reached. Our goal is to strengthen the balance sheet and to act fairly to existing shareholders. These principled, practical decisions ensure that the business continues to be managed in a prudent, solid, reliable and accountable way.

Governance and Risk Management

There were no changes to Board membership during the reporting period. The Board continues to strive for open and honest relationships with each other, our shareholders, prospective investors and the wider investment community. The Board aims to manage these relationships efficiently, transparently and consistently in accordance with company policies and relevant securities rules and laws. Our approach is to 'trust, but verify' and to be transparent in everything we do. As touchstones, good governance always takes precedence over collegiality, disclosure means full disclosure and the interests of shareholders always come first. The Board also engages in modelling the potential effects on the Company's financial condition of plausible changes in risk factors as part of its risk management function.

Pay and Performance

The Board's approach is to maintain an appropriate balance between the fact that Agenix operates in international markets where it competes for a limited resource of talent, and the restraints of having limited cash resources. Total Executive Chairman remuneration was reduced and annual incentive payments remain tied to performance hurdles. Board fees have been frozen for three years now.

The whole basis of board and senior executive remuneration is designed to achieve clear alignment between total remuneration and delivered performance. Our basic approach to remuneration is to pay at the lower level of small-cap listed companies, while providing a competitive mix of incentives to ensure we can attract and retain the best people.

Additionally, we have increased the transparency and disclosure of key elements of the Company's remuneration structures and worked to make this year's Remuneration Report easier to read and understand. These documents can be found on page 14 of this Annual Report.

Key Achievements in 2012

Our focus is the creation of long-term shareholder wealth and our decisions and actions are aimed at positioning the business for long-term success. Some of the Company's commercial outcomes in the last year included the following:

- A key highlight was the appointment of international biomedical business development expert Dr Paul Resnick as an advisor to Agenix with a focus on the ThromboView® partnering program. Dr Resnick has a track record of company-transforming transactions. He is the former Vice President of Business Development at privately held US-based biotechnology business Intellikine Inc, where he played a key role in securing a $489 million program licensing deal and the subsequent sale of the business in December 2011 to Japan's Takeda Pharmaceutical Co for

‘This is not just a new diagnostic method, it is a new imaging concept...’

‘ThromboView® might the battle against V/scan in the future, and might find a respectable, well-defined place as an alternative to CT...’

– American Journal of Respiratory and Critical Care Medicine 2011

$310 million. Before joining Intellikine, Dr Resnick was Senior Director of Worldwide Business Development at Pfizer Inc. (NYSE: PFE).

- We refocussed ThromboView® business development to a more narrow and targeted approach. This review and acting on it resulted in the appointment of Dr Paul Resnick. The benefits and value of ThromboView® were showcased to a number of potential partners at several major international conferences including the International Conference of Molecular Diagnostics in Beijing, and Bio 2012.
- Preclinical work on our hepatitis B drug candidate AGX-1009 continued in collaboration with Beijing’s Institute of Medicinal Biotechnology and the Institute of Pharmacology and Toxicology of the Academy of Military Medical Sciences. The drug was showcased at BioKorea in Seoul in September 2011 and at the China Bio Partnering Forum in Suzhou in May.
- Another achievement was the peer reviewed publication in July of the ThromboView® Phase II study for Pulmonary Embolism in the highly respected *American Journal of Respiratory and Critical Care Medicine* (AJRCCM). The publication reported that the sensitivity and specificity of ThromboView® for acute pulmonary embolism was comparable to that previously reported for contrast-enhanced CT scanning. The researchers reported no adverse events and concluded that ThromboView® was accurate, safe and well tolerated in patients with a range of co-existing diseases in the chest and elsewhere. In June 2012 we also achieved publication of the Phase II DVT study in the peer-reviewed journal, *Thrombosis Research*. The publication of these studies has been a tremendous endorsement for our science and a great achievement for our clinical teams.
- Negotiated and signed two new agreements with our strategic partners in China in October 2011 covering the commercialisation of new drug candidates, the sharing of resources and expertise and the work required to complete pre-clinical toxicology tests for our new hepatitis B drug candidate in China. Agenix’s China subsidiary entered an agreement with China’s Institute of Pharmacology and Toxicology of the Academy of Military Medical Sciences to complete final toxicology tests for the hepatitis B compound AGX-1009 ahead of the expected start of clinical trials. We also entered into a Memorandum of Understanding between Agenix and the Institute of Medicinal Biotechnology (IMB) of the Chinese Academy of Medical Sciences in Beijing covering the development of future drug candidates, sharing intellectual property, production, marketing, distribution and access to IMB’s national research and regulatory expertise.
- Significantly, we completed a Request for Proposal (RFP) for the Phase III development of ThromboView® and obtained cost estimates from CMOs and CROs that resulted in a $20 million saving on previous estimates. Our planning has identified several new paths to market and opportunities to reduce trial and manufacturing costs, as along with interesting opportunities to exploit a number of potential ThromboView® technology pipeline applications.
- In September 2011 the Company filed an international method of manufacture patent application under the Patent Cooperation Treaty (PCT) for our hepatitis B drug AGX-1009. The application covers the manufacturing process of a compound that uses Tenofovir, the active ingredient used in the US Food & Drug Administration (FDA) approved drug Viread® marketed by Gilead Sciences in the United States but not yet available in China.
- Continued prosecution of ThromboView® patent applications in various countries. In May 2012 we received a notice of acceptance in Japan for our patent covering ‘Humanised antibodies derived from DD-3B6/22, specific for the D-Dimer fragment of Fibrin’. This is the latest addition to the Company’s portfolio of patents in the USA, Australia, New Zealand, Singapore and Europe.
- Created a social media and online networking friendly website to keep investors, media and other stakeholders up-to-date with our progress. Previously, the Company had no presence in social media platforms as the previous website was not readable on iPads or mobile phones. Social media platforms such as Twitter and LinkedIn offered a cost-effective tool for keeping investors informed.

Operational Focus

Agenix listed in 1987 and in 2005 commenced operations in China. Operationally, we are focussed on achieving the commercialisation of our research in such major markets as the USA and China.

The Company’s long-standing core competency is developing innovative medical products. Agenix has successfully taken a number of monoclonal antibodies from research to commercial manufacture, and also has experience in obtaining China’s State Food and Drug Administration (SFDA) approval for a hepatitis B drug.

ThromboView®

Significant investments in research and development lead ultimately to very strong long-term value creation. More than $30 million has been invested to date in our lead program, ThromboView®, which is now poised to partner and begin Phase III clinical trials. ThromboView®, is a patented technetium-99m-labelled antibody-based radio-imaging test for venous thromboembolism (VTE). It can accurately test for conditions including pulmonary embolism (PE), upper extremity venous thromboembolism (UEVTE) and deep vein thrombosis (DVT). ThromboView® has significant advantages not available in current standard imaging tests:

- The ability to detect dangerous active blood clots, an attribute currently not available in commonly used imaging tests.
- Current techniques are inadequate and computed tomography (CT) scans are often difficult to interpret. Overlying solid structures do not affect the viability of ThromboView® test results; this is tremendously useful in the upper extremities where ultrasound and CT are notoriously non-diagnostic.
- Significantly reduced exposure to radiation, compared to multi-detector CT scans. There is a clinically significant radiation dose from a single CT scan to the female breast. Repeat CT is necessary in around one third of patients, exposing them to additional radiation. Multiple CT scans in children significantly increases the risk of brain cancer and leukaemia later in life. In August 2011, the U.S. Joint Commission, which accredits some 19,000 American medical organisations, issued an alert on the dangers of overuse of ionising radiation.
- It is estimated that 11% of patients are predisposed to contrast medium induced nephrotoxicity but ThromboView® does not involve the use of nephrotoxic intravenous contrast dye. Instead, the test uses a gamma camera (standard equipment in most hospitals' nuclear medicine departments) to take single photon emission computed tomography (SPECT) images of ThromboView® which binds to fibrin, from which the presence (or absence) and the location of clots can be identified.
- CT sensitivity of 80% is inadequate for acute PE. CT is good but not great.
- There is often a discordance between what the clinician is observing and what the CT scan is telling the clinician, rendering the CT scan non-diagnostic or very hard to analyse. CT scans are not the definitive answer when in disagreement with clinical impression.
- Following clot resolution is difficult with CT but because of the low radiation dose of ThromboView®, it is believed that it can be used for repeat testing. Attempting to follow the resolution of a clot using CT means multiple CT scans and would typically result in unacceptably high doses of ionising radiation to the patient.

Venous thromboembolism (VTE) is the third most common cardiovascular disease, affecting a wide variety of patients across a range of diseases. It is also associated with several comorbidities that are difficult and expensive to treat. There is a need for early effective diagnosis that could guide the duration of anticoagulation therapy in patients with thromboembolism and consequently reduce long-term comorbidities and associated costs.

Thirty per cent of VTE patients develop recurrent VTE within 10 years. There are 600,000 clinically recognised incidences of thromboembolism in the USA annually and more than 2 million tests conducted to look for them. The majority of pulmonary embolism-related deaths can be attributed to a pulmonary embolism that was undiagnosed (and therefore untreated) during life: autopsy series suggest that the true number of deaths from acute pulmonary embolism is between three-fold and ten-fold higher than reported.

In 20.5% of fatal pulmonary embolisms, the PE was suspected but not followed up. This might be due to renal failure (the patient cannot have contrast agent), or the patient was unstable or the clinician may have been reluctant to put a young woman under a CT machine, as the radiation dosage from each scan increases the clinical risk of cancer later in life. 47.5% of fatal PE is unsuspected pre-mortem. The CT inconclusive rate is around 5% in suspected PE.

The estimated market size for UEVTE and PE is therefore large and likely to increase as the population ages. The full potential of the radio imaging diagnostic market for VTE, and for appropriate diagnosis, remains untapped.

Agenix is working hard to licence ThromboView® so that the Phase III trials are funded by a third party who can assure the path of this important diagnostic modality into the clinic. This achievement will be a company transforming event.

Our promising hepatitis B drug for China

In Q2, 2014, Agenix is scheduled to commence its planned phase I trial of AGX-1009, an antiviral medicine used to treat hepatitis B in China.

With research now largely complete and long-term toxicity tests under way, the Company is tracking to submit a formal clinical trial application in Q2 2013.

Experts at the Institute of Medicinal Biotechnology of the Chinese Academy of Medical Sciences and the Institute of Pharmacology and Toxicology of the Academy of Military Medical Sciences in Beijing who are conducting the pre-clinical research on AGX-1009 advise that the pharmacokinetics and pharmaceutics results are comparatively favourable.

While the toxicology studies encountered initial solubility issues with the Active Pharmaceutical Ingredients (API), further tests and lengthy communication with the SFDA has resulted in a new and comparatively rigid trial design which it is understood should satisfy SFDA requirements.

Hepatitis B is a virus that infects the liver and leads to liver damage. Once inside the liver cells the virus multiplies by making copies of its genetic material (DNA) via the enzyme viral DNA polymerase. AGX-1009 works by blocking the action of this enzyme, stopping the virus from multiplying. AGX-1009 is a nucleotide analogue reverse-transcriptase inhibitor (NtARTI), which shares an active compound – Tenofovir – with Gilead's FDA approved product Viread, though AGX-1009 is activated by a different molecular side chain. Viread has been approved in the US and Europe as a treatment for hepatitis B (HBV) and HIV, but has not been cleared for the Chinese market.

AGX-1009 is intended as a once-a-day regimen for the treatment of hepatitis B infection. There is evidence that a once-a-day regimen helps patients comply with prescription regimes, potentially lowering the risk of resistance and subsequent treatment failures.

China has the largest number of hepatitis B patients in the world, with an estimated 120 million people carrying the surface antigen (HBsAg). An estimated 20 million people in China suffer from chronic hepatitis B, and 300,000 people die from the disease or its complications every year.

Unfortunately, most existing HBV medications lose efficacy over time and chronic HBV patients then need to change to a next generation therapy. We already know that Tenofovir can treat patients who have developed resistance to therapies like Adefovir and Lamivudine. As therapies such as Interferon and PegInterferon are largely unaffordable in China, Agenix is positioned to offer very strong competition in this large medical market with our lead product candidate, AGX-1009.

Annual global sales of Viread exceeded US$6 billion in 2010. The Chinese market for Tenofovir alone has been estimated to be at least CNY 1 billion ($170 million) even assuming a local supplier price level could eventually prevail.

We are working to identify treatments that meet the needs of a wider range of patients and hope to work with partners who will use our compound in combination with other hepatitis B therapies.

In 2010, both the FDA and the European Medicines Agency (EMA) expanded Viread's existing indication for chronic HBV to include the treatment of patients with decompensated liver disease based on data generated from clinical studies evaluating the therapy in this difficult-to-treat patient population. We expect the same expansion of indications will apply to AGX-1009.

Future Capital Requirements

Our ability to continue to fund operations is dependent upon our ability to raise capital on an ongoing basis. The Company is currently reliant on a $1.2 million equity drawdown funding facility with investment bank Fortrend Securities Pty Ltd, which involves Agenix placing shares with Fortrend. There has been some overhang or downward pressure on our share price as this stock finds its way back into the market.

We are mindful of the potential pressures we face in the current global environment. To address the issue of dilution of existing shareholders and the existence of external risk factors surrounding our major source of planned capital from a ThromboView® deal, a further capital raising in the form of a rights issue would enable Agenix to drive the strategic objectives of the Company from a position of stability and strength.

Agenix is preparing a Prospectus to raise working capital so that the Company can execute on its strategy without depending on parties over whom we have no direct control and without being subject to the vicissitudes of the market. Part of the cash raised will be used to develop a product pipeline, to move the Company forward into a more secure position, improving your share value and securing the long-term future of Agenix.

Outlook

The fundamental drivers of our business over the long term are trending in the right direction: a growing, ageing global population; increasingly affluent emerging markets in China; technological advances paving the way for targeted, cost-effective medical treatments; and an undiminished need for better clinical outcomes and medical solutions to address global health issues such as hepatitis.

The Company's commercial aims in the year ahead include:

- Partnering the rights to ThromboView® – Agenix is seeking a development/commercialisation partner that shares our enthusiasm to improve the clinical care of patients with thromboembolism. There is interest from potential partners for whom it will be a complementary addition to their existing diagnostic imaging and cardiovascular portfolio. ThromboView® is a clinically de-risked asset with tangible scope for indication expansion and enhancement of patient experience with a vital diagnostic tool. Partnering with Agenix will give our partner access to our global scientific, clinical and commercialisation abilities, while Agenix would access our partner's strong distributor and supply-chain relationships and expect access to technology fees, milestone payments and royalties.
- Issuing a Prospectus designed to raise capital by way of a rights issue. This will enable the Company to operate from a position of stability and strength, to develop a product pipeline and fund operations leading up to a partnering deal for ThromboView®, expected in 2012.
- Continuing to prosecute ThromboView® patent applications in various countries and review patent portfolio strategy.
- Submitting a formal clinical trial application in Q2 2013 with the SFDA for our hepatitis B drug candidate. AGX-1009, a patented Tenofovir 'prodrug' with the same active compound as Gilead's FDA-approved Viread.
- Developing a strategy to leverage the Company's existing skills and infrastructure to identify and in-licence affordable value accreting products and programs with possible near-term revenue.
- Strengthening the Company's balance sheet by focusing on its cash position and investor relations programs.

People

Agenix is underwritten by people with deep knowledge of the areas in which the Company operates. Many of our alumni are employed in Australia's leading biotechnology companies. A defining feature of the Company is the quality of the people it attracts.

I am, of course, delighted to welcome Dr Paul Resnick, a former Senior Director of Worldwide Business Development at Pfizer Inc, who was appointed earlier this year as an advisor to Agenix with a focus on the ThromboView® partnering program. Paul has been responsible for multiple company transforming transactions. Dr Andy Gearing continues to advise on commercialisation issues and has helped us kick the tyres on a number of potential pipeline opportunities. Andy has a successful record in biotechnology and has completed 15 international licensing deals worth over $200 million.

Leading the ThromboView® clinical program is Professor Tim Morris, a widely published, recognised thought leader in the diagnosis and treatment of thromboembolic diseases and the recipient of multiple awards. Tim takes time out as Clinical Service Chief in the division of Pulmonary and Critical Care Medicine at the University of California San Diego Medical Center to work with us and has expressed his confidence in Agenix by taking shares as remuneration. Dr Mike Gerometta, Chief Science Officer – ThromboView® remains an intrinsic and valued advisor after 19 years with the Company in various capacities. Mike is responsible for Chemistry, Manufacturing and Controls and has explicit knowledge of ThromboView® since inception.

It is a privilege and pleasure to work with these experienced and capable people.

Our teams in China make an extremely valuable contribution to Agenix. In particular, I thank John Yue, Manager New Drug Development and our Finance Manager in China, Michael Zhang. I thank too the people who work closely with us such as Professors Jiang, Zhao and Lee at the Institute of Medicinal Biotechnology and the researchers of the Institute of Pharmacology and Toxicology of the Academy of Military Medical Sciences in Beijing.

I also thank my fellow board members Chris McNamara and Anthony Lee for their support, sage advice and hard work. This year I particularly note Anthony Lee's expertise in China's business environment, which contributes to our operational effectiveness across borders. I thank too Gary Taylor, a thorough and outstanding Chief Financial Officer and Company Secretary.

Their commitment is why our Company remains energetic, bold, decisive and forward looking.

We also consider our shareholders one of our most important and valuable assets. I sincerely thank you for your confidence and support, and your shared commitment to realising the full potential of our business. The last few yards of a race can be the hardest but also the most rewarding.

Nick Weston

Nicholas Weston
Executive Chairman

29 August 2012, Melbourne

Your Directors present their Report on Agenix Limited and its controlled entities (hereafter referred to as the 'Group') for the financial year ended 30 June 2012.

DIRECTORS

The names of Directors in office at any time during or since the end of the year are:

Mr Nicholas Weston LL.B, B. Ec.

Chairman. Appointed 22 August 2008. Chief Executive Officer from 4 January 2010.

Nick Weston is a seasoned Melbourne-based commercial intellectual property lawyer and company director with a background in technology sector businesses. He holds degrees in law and economics and is also a registered trade marks attorney.

Prior to joining Agenix, Mr Weston's eponymous law firm, Nicholas Weston, has been ranked three times by *Managing Intellectual Property* magazine since being founded in 2005. Mr Weston is a member of the World Intellectual Property Organization's (WIPO) Arbitration and Mediation Center's List of Arbitrators and Mediators and is also a member of the Center's Domain Name Panel. He is a member of the Australia China Business Council.

Mr Anthony Lee Vui Han (Lee) BEcon.

Non-Executive Director. Appointed 27 August 2007.

Mr Lee has a Bachelor of Economics Degree with a Major in Banking & Finance.

Mr Lee has in excess of 19 years' international business experience and has been actively involved in business development/marketing, quality control and cost management.

Mr Lee is also involved in project management and is responsible for the management, business development, cost control and growth of Malaysian companies such as UF Engineers Sdn BHD, a company involved in major public utilities infrastructure such as highways, Onika Quarry Sdn BHD, a company operating quarries in Tawau and Semporna, and Leeka Holdings Sdn. Bhd, a company involved with palm oil plantations.

Mr Lee currently holds Directorships in the aforementioned companies.

Mr Christopher McNamara B.Bus (Acc.), CA

Non-Executive Director. Appointed 21 February 2008.

Chris McNamara, based in Melbourne, Australia, is a chartered accountant with extensive experience with business operations in Asia, and with management of property and equity investment portfolios.

DIRECTORSHIPS OF OTHER LISTED COMPANIES

No Director has held the position of Director with any other listed company within the last three years.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

As at the date of this Report the interests of the Directors in the shares and options of the Company are:

	Listed securities		Unlisted securities
Director	Ordinary Shares	Options	Options
N Weston	7,239,642	–	–
A Lee	7,695,279	–	–
C McNamara[(i)]	5,094,455	–	–

(i) 1,934,455 Ordinary shares held jointly with Diana Mary McNamara and 160,000 Ordinary shares held indirectly through ING Custodians Pty Limited RPS (Christopher McNamara) account. 3,000,000 Ordinary Shares held solely by Christopher McNamara.

COMPANY SECRETARY & CHIEF FINANCIAL OFFICER

Mr Gary Taylor (B. Bus) was appointed Company Secretary and Chief Financial Officer on 31 March 2011; he is a qualified accountant with strong experience in early stage, international high-growth businesses. He brings over 30 years' entrepreneurial experience working in Asia, USA, Australia and Europe.

DIVIDENDS PAID AND PROPOSED

No dividends have been paid or proposed by the Company during or since the end of the financial year.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were:

- Maintenance of the ThromboView® project, a product in development related to the detection of blood clots.
- Undertaking extensive negotiations and partner identification for the development of a cohesive partnering divestment program of the ThromboView® project.
- Continued development of AGX-1009, an anti-viral drug for the treatment of hepatitis B which is currently in pre-clinical evaluation.

There were no significant changes in the nature of principal activities during the year other than extensive negotiations undertaken for the development of a cohesive partnering divestment program of the ThromboView® project.

OPERATIONAL AND FINANCIAL REVIEW

Operational highlights

The main operational highlights during the year were:

- Progression of pre-clinical trials in respect of AGX-1009.
- Extensive worldwide negotiations in respect of ThromboView® with respect to partnering Phase III clinical trials.
- Continued management of the Group's global intellectual property portfolio including the granting of further patents in respect of ThromboView® in Japan during the year.
- Significant cost reductions being achieved as compared with prior years.

Financial result

The Group's loss for the year ended 30 June 2012 was $1,355,204, compared to a loss of $2,707,451 in the previous financial year, representing a 50% decrease in costs.

Total income for the year ended 30 June 2012 was $26,412, down from $219,960 in the previous financial year due to the receipt of interest in 2011 totalling $153,508 in respect of the China settlement.

Operating expenses for the year totalled $1,381,616, compared with the previous financial year of $2,177,567, excluding the charge in 2011 of $907,018 in relation to costs associated with the China settlement and the write back in respect of surplus lease accrual of $157,185.

Current assets at 30 June 2012 were $74,478 (2011: $1,946,451). Total liabilities at 30 June 2012 were $169,307 (2011: $849,552). The change in current assets reflects the further investment in AGX-1009 and the reduction of liabilities by $680,245.

Capital

Fortrend funding facilities

On 24 April 2012 the Company entered into a fixed subscription agreement with Fortrend Securities Pty Limited, in its own capacity and as agent for a sophisticated investor. The agreement provides the Company with up to $1.2 million payable in 12 monthly instalments of $100,000, subject to terms and conditions, in return for ordinary Agenix shares.

The following ordinary shares have been issued during the financial year pursuant to the fixed subscription agreement:

Date	Amount Received	Issue Price per Share	Number of Shares issued
1 May 2012	$100,000	$0.0107	9,345,794
1 June 2012	$100,000	$0.0054	18,518,518
	$200,000		27,864,312

In addition, since 25 March 2010, Agenix has had a $5 million equity drawdown funding facility with investment bank Fortrend Securities Pty Ltd. Approval of the Fortrend equity drawdown facility was granted by shareholders at the Annual General Meeting held on 27 August 2010. No drawdowns were made on this facility during or since the end of the financial year.

Further detailed information in respect of both facilities is set out in Note 19 of the financial statements.

Ordinary Shares issued for services rendered in lieu of cash

During the year 697,972 Ordinary Shares were issued for services rendered totalling $10,185 in lieu of cash.

Ordinary Shares issued on conversion of Rights

Shareholders gave approval at the 2010 Annual General Meeting held on 26 November 2010 for the grant of 3,000,000 Rights (zero priced options) to each of the Non-Executive Directors. In addition, shareholders gave approval at the 2011 Annual General Meeting held on 31 October 2011 for the grant of 3,000,000 Rights (zero priced options) to Nicholas Weston, Chairman and Chief Executive Officer. On 4 November 2011 these Rights were exercised into ordinary shares. A total of 9,000,000 Ordinary Shares were issued as follows on that date:

Director	Number of Ordinary Shares
Nicholas Weston	3,000,000
Anthony Lee	3,000,000
Christopher McNamara	3,000,000

Ordinary Shares issued on conversion of Options

During the year 5 listed Options with an exercise price of $0.06 cents per share, expiring 30 June 2012, were exercised and converted to Ordinary Shares in the Company in accordance with the terms and conditions upon which the Options were issued.

Issue of Ordinary Shares after balance date

Since year end the Company has issued the following Ordinary Shares pursuant to the fixed subscription agreement with Fortrend Securities Pty Limited:

Date	Amount Received	Issue Price per Share	Number of Shares issued
1 July 2012	$100,000	$0.0039	25,641,026
1 August 2012	$100,000	$0.0034	29,411,765

Issue of or exercise of Options, after balance date

No Options have been issued and no options have been exercised since 30 June 2012.

Business Dynamics

ThromboView®

Our lead program is ThromboView®, a patented technetium-99m-labelled antibody based radio-imaging test for venous thromboembolism (VTE). It can accurately test for conditions including pulmonary embolism (PE), upper extremity venous thromboembolism (UEVTE) and deep vein thrombosis (DVT). ThromboView® to this day has significant advantages not available in current standard imaging tests.

Dr Paul Resnick, our business development advisor, has a track record of company transforming transactions and believes that ThromboView® 'will be a blockbuster for a diagnostic'. Agenix is working hard to licence ThromboView® so that the Phase III trials are funded by a third party who can assure the path of this important diagnostic modality into the clinic. That achievement will be a company transforming event for Agenix.

AGX-1009

Following some minor delays, Agenix has adjusted its schedule to commence its planned phase I trial of AGX-1009, an antiviral medicine used to treat hepatitis B in China, to Q2 2014. The active ingredient in AGX-1009 is Tenofovir.

The Company is now on track to submit a formal clinical trial application in Q2 2013.

The research works are now largely complete and currently several planned tasks on toxicology as well as pilot production of the tablet are well advanced. API pilot production and production process research, quality control, pharmaceutics, acute toxicity studies, toxicokinetics and pharmacokinetics methodology research relating to long-term toxicity studies are ostensibly completed and only formalising the research reports remain on most of these tasks. Although the research process did not meet the initial planned timeline, we are working with experts at the Institute of Medicinal Biotechnology of the Chinese Academy of Medical Sciences and at the Institute of Pharmacology and Toxicology of the Academy of Military Medical Sciences in Beijing who are conducting the pre-clinical research on AGX-1009. They advise that the pharmacokinetics and pharmaceutics results are normal and comparatively favourable.

The toxicology studies encountered some solubility issues with the API which, following time-consuming communication with SFDA, has resulted in a new and comparatively rigid trial design which is understood should satisfy SFDA requirements.

Currently, the long-term toxicity tests are under way: the final step prior to clinical trial application.

Future potential recovery from China

The Board remains cognisant of the actions of the previous Board and advisors in respect of the matter.

The Board considered it prudent to concentrate on recovery of funds prior to actioning any legal claims.

Pursuant to the supplementary settlement agreement, the Company has 'in principle' rights to a pipeline of products for commercialisation and the rights to commercialising generic adefovir outside of mainland China. The Board has assessed the value of these pipeline products together with the commercial realities of working closely with other parties to the settlement agreements in China in order to bring the products to market in other geographies. In the opinion of the Board there are substantial risks associated with attempting to commercialise these products with the other parties involved and the Company is continuing to assess whether or not it is in the best interests of shareholders to forgo commercialising these pipeline products to concentrate on claims to recover further funds.

Any potential future claims concerning this issue would require the Company to prove its actual loss or damage.

Any extended discussion of the Company's position in relation to this issue may prejudice any future legal action.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No significant changes in the state of affairs of the Group have occurred during or since the end of the financial year.

SIGNIFICANT EVENTS AFTER BALANCE DATE

No matters or circumstances, other than the continued use of the Fortrend Fixed Subscription facility, have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future years.

SHARE OPTIONS

At the date of this report, the following options could be exercised into ordinary shares:

Type of Option	Number of options	Grant date	Expiry date	WAEP* $
Fortrend	512,500	1 November 2010	1 November 2013	0.0198
Fortrend	340,175	22 November 2010	22 November 2013	0.0206
Fortrend	273,776	24 December 2010	24 December 2013	0.0195
Fortrend	419,863	1 April 2011	1 April 2014	0.0180

*Weighted Average Exercise Price

The following listed options expired or lapsed during the period since the last annual report.

Type of Option	Number of options	Grant date	Expiry date	WAEP* $
Listed	6,444,993	6 October 2010	30 June 2012	0.0600

The following unlisted options expired or lapsed during the period since the last annual report.

Type of Option	Number of options	Grant date	Expiry date	WAEP* $
Consultant Options	200,000	1 January 2006	1 January 2012	0.4000
Employee Options	500,000	15 October 2010	15 October 2011	0.0170
Employee Options	10,000,000	4 January 2010	4 January 2012	0.0170

Milestone Options

The Company had a legal obligation pursuant to the acquisition agreement of SHRG and YSY to issue Options. No Options have been issued pursuant to this agreement and the obligation to issue Milestone Options expired on 17 April 2012.

INDEMNIFICATION AND INSURANCE FOR DIRECTORS AND OFFICERS

During the year, the Group has paid a premium in respect of a contract insuring all of the Directors and executive officers of the Group against a liability incurred in their role as Directors and officers of the Group, except where:

1. the liability arises out of conduct involving a wilful breach of duty; or
2. there has been a contravention of Sections 182 or 183 of the *Corporations Act 2001*.

The insurance contract contains a confidentiality condition which prohibits disclosure of the nature of the liabilities insured or the premium paid.

DIRECTORS' MEETINGS

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2012, and the numbers of meetings attended by each Director were:

	Full Meetings of Directors		Meetings of Committees			
			Audit[1]		Remuneration[1]	
	Entitled to Attend	Attended	Entitled to Attend	Attended	Entitled to Attend	Attended
N Weston	12	12	–	–	–	–
A Lee	12	12	–	–	–	–
C McNamara	12	12	–	–	–	–

1. Due to the current size of the Board no audit or remuneration committees were formed during the year. The activities of these committees are undertaken by the Board during regular Board meetings. Refer Statement of Corporate Governance Practices – 2012 for detailed information.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Other than information disclosed in this Report, information on likely developments in the operations of the Group and the expected results of those operations in future financial years, as well as the business strategies and prospects of the Group, has not been included in this Report because the Directors believe that to include such information would be likely to result in unreasonable prejudice to the Group.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's operations are not subject to any significant environmental regulations in the countries in which it operates.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under Section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under Section 237 of the *Corporations Act 2001*.

NON-AUDIT SERVICES

The Board did not engage the independent auditors to perform any non-audit services during the year.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration required under Section 307C of the Corporations Act which forms part of the Director's Report for the year ended 30 June 2012 has been received and can be found on page 19.

REMUNERATION REPORT

The audited Remuneration Report which forms part of the Directors' Report for the year ended 30 June 2012 can be found on pages 14 – 18.

Signed in accordance with a resolution of the Directors.

Nick Weston

Nicholas Weston

29 August 2012, Melbourne

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Agenix Limited Directors and its senior management for the financial year ended 30 June 2012.

The prescribed details for each person covered by this report are detailed below under the following headings:

- Director and senior management details
- Remuneration policy
- Relationship between the remuneration policy and company performance
- Remuneration of directors and senior management
- Key terms of employment contracts

Director and senior management details

The following persons acted as Directors of the Company during or since the end of the financial year:

Nicholas Weston (Chairman & Chief Executive Officer)
Christopher McNamara
Anthony Lee Vui Han (Lee)

The term 'senior management' is used in this Remuneration Report to refer to the following persons. Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year:

Tang Wen Sen (Chairman – Agenix Biopharmaceutical (Shanghai) Co Ltd)
Gary Taylor (Company Secretary and Chief Financial Officer)
John Tong (General Manager – Agenix Biopharmaceutical (Shanghai) Co Ltd – ceased 15 October 2011)
John Yue (Manager New Drug Development – Agenix Biopharmaceutical (Shanghai) Co Ltd)
Joanna Wu (CFO – Agenix Biopharmaceutical (Shanghai) Co Ltd – resigned 20 July 2011)

Remuneration policy

The performance of the Company depends upon the quality of its Directors, executives and staff. To prosper, the Company must attract, motivate and retain highly skilled Directors and executives.

To this end, the Company embodies the following principles in its remuneration framework:

- provide competitive rewards to attract high-calibre executives;
- link executive rewards to shareholder value; and
- establish appropriate, demanding performance hurdles in relation to variable executive remuneration.

Relationship between the remuneration policy and company performance

Agenix seeks to emphasise reward incentives for results and continued commitment to the Group through the provision of various cash bonus reward schemes, specifically the incorporation of incentive payments based on the achievement of specified timelines and targets in relation to milestones, return on equity ratios, and continued employment with the Group. The objective of the reward schemes is to both reinforce the short and long-term goals of the Group and provide a common interest between management and shareholders.

As part of each executive's remuneration package there is a performance-based component. The intention of this program is to facilitate goal congruence between executives with that of the business and shareholders. Generally, the executive's performance-based remuneration is tied to the Company's successful achievement of certain key milestones as relates to its operating activities, as well as the Company's overall financial position.

The satisfaction of the performance conditions includes a review of the audited financial statements of the Group, as such figures reduce any risk of contention relating to payment eligibility. The Board does not believe that performance conditions should include a comparison with factors external to the Group at this time.

The development of remuneration policies and structures are considered in relation to the effect on Company performance and shareholder wealth. They are designed by the Board to align Director and executive behaviours with improving Company performance and, ultimately, shareholder wealth.

The following table shows the gross sales revenue, profits and dividends for the last 5 years for the listed entity, as well as the share price at the end of the respective financial years. The significant reduction in the Company's share price is reflective of the decision of a previous board to divest the Company of certain assets.

	2008 $000	2009 $000	2010 $000	2011 $000	2012 $000
Gross sales revenue	1,066	180	6	–	–
Net profit (Loss)	(23,283)	(7,954)	2,478	(2,707)	(1,355)
Share price at year-end	0.030	0.017	0.017	0.014	0.004
Dividends paid	Nil	Nil	Nil	Nil	Nil

The overall level of key management personnel compensation takes into account the overall operating performance of the Group over a number of years. Losses for 2008 and 2009 respectively were impacted by the ill-executed acquisition of SHRG & YSY. The recovery in 2010 represents the efforts of the current management group. The key management personnel and Directors directly involved in the 2007 transactions are no longer employed by the Group. Focus for current key management personnel and Directors has therefore been on cost saving measures and recovery efforts to ensure the ongoing viability of the Group and implementing a strategy to maximise shareholder value by introducing new products for commercialisation, where the risk of clinical failure is diminished.

In accordance with best practice corporate governance, the structure of non-executive Director and senior management remuneration is separate and distinct.

Performance based remuneration

The key performance indicators (KPIs) are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for Group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

Performance in relation to the KPIs is assessed annually by the CEO in respect of employees or for the CEO by the Board, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the Board in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year. All bonuses require Board approval for payment.

Remuneration of directors and senior management

	Short-Term Employment Benefits				Post Employment Benefits	Other Long-Term Employee Benefits	Share-Based Payments	
2012	Salary & Fees $	Bonus $	Non-Monetary $	Other $	Superannuation $	$	Options & Rights $	Total $
Non-Executive Officers								
C McNamara	32,000	–	–	–	2,880	–	42,000	76,880
A Lee	32,000	–	–	–	2,880	–	42,000	76,880
Tang Wen Sen	60,699	–	–	–	–	–	–	60,699
Executive Officers								
N Weston	143,807	160,807	–	5,305	19,150	–	42,000	371,069
J Tong[1]	64,451	–	–	–	–	30,000	–	94,451
G Taylor	148,000	–	–	–	–	–	–	148,000
J Yue	35,997	–	–	–	20,783	–	–	56,780
	516,954	160,807	–	5,305	45,693	30,000	126,000	884,759

1. Ceased 15 October 2011

Remuneration of directors and senior management (continued)

	Short-Term Employment Benefits				Post Employment Benefits	Other Long-Term Employee Benefits	Share-Based Payments	
2011	Salary & Fees $	Bonus $	Non-Monetary $	Other $	Superannuation $	$	Options & Rights $	Total $
Non-Executive Officers								
C McNamara	32,000	–	–	–	2,880	–	–	34,880
A Lee	32,000	–	–	–	2,880	–	–	34,880
Tang Wen Sen	67,490	–	–	–	–	–	–	67,490
Executive Officers								
N Weston	100,000	200,000	–	3,860	14,249	–	2,638	320,747
J Tong	131,396	–	–	–	–	–	50,056	181,452
G Taylor	32,500	–	–	–	–	–	–	32,500
J Yue	39,117	–	–	–	12,288	–	–	51,405
J Wu	31,830	–	–	–	12,288	–	–	44,118
	466,333	200,000	–	3,860	44,585	–	52,694	767,472

No director or senior management person appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

The following tables provide employment details of persons, who were, during the financial year, members of key management personnel of the consolidated group. The tables also illustrate the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options.

		Proportions of remuneration related to performance			Proportions of elements of remuneration not related to performance		
Position held at 30 June 2012		Non-salary cash-based incentives %	Shares %	Options Rights %	Salary, benefits, fees %	Shares Options %	Total %
Non-Executive Officers							
C McNamara	Director	0.00%	0.00%	0.00%	45.37%	54.63%	100.00%
A Lee	Director	0.00%	0.00%	0.00%	45.37%	54.63%	100.00%
Tang Wen Sen	Chairman Agenix Biopharmaceutical (Shanghai) Co Limited	0.00%	0.00%	0.00%	100.00%	0.00%	100.00%
Executive Officers							
N Weston	Chief Executive Officer and Executive Chairman	43.34%	0.00%	11.32%	45.34%	0.00%	100.00%
G Taylor	Company Secretary & Chief Financial Officer	0.00%	0.00%	0.00%	100.00%	0.00%	100.00%
J Yue	Manager New Drugs – China	0.00%	0.00%	0.00%	100.00%	0.00%	100.00%

Cash Bonuses, Performance-Related Bonuses and Share-Based Payments

The terms and conditions relating to options and bonuses granted as remuneration during the year to key management personnel and other executives during the year are as follows:

Group Key Management Personnel	Remuneration Type	Grant Date	Reason for Grant (Note 1)	Percentage vested/paid during the year %	Percentage forfeited during the year %	Percentage remaining as unvested %	Expiry date for vesting or payment	Range of possible values relating to future payments
N Weston	Zero Priced Rights	31/10/2011	(a)	100.00%	0.00%	0.00%	4/11/2011	Nil
	Cash	1/7/2011	(b)	0.00%	0.00%	100.00%	04/01/2013	$0-$100,000
A Lee	Zero Priced Rights	31/10/2011	(a)	100.00%	0.00%	0.00%	4/11/2011	Nil
C McNamara	Zero Priced Rights	31/10/2011	(a)	100.00%	0.00%	0.00%	4/11/2011	Nil

Note 1 (a) The rights granted to each of the Directors were approved by shareholders at the 2010 & 2011 Annual General Meetings. The Rights were exercised and converted to ordinary shares on 4 November 2011.

Note 1 (b) The Chief Executive remuneration structure for calendar year 2012 is a fixed salary package of $150,000 and a variable component of $100,000 which vests upon attainment of specific criteria when they are met. The variable component is paid in cash during the year in accordance with the time lines for achieving specific goals and targets. This represents a reduction in total remuneration of $50,000 compared to the prior year.

Key terms of employment contracts

Agenix Limited

The employment conditions of Mr Nicholas Weston, the Chairman and Chief Executive Officer, are formalised in a contract of employment. The current contract of employment commenced on 4 January 2012. Mr Weston's appointment with the Company may be terminated with the Company giving 6 month's notice or by Mr Weston giving 3 month's notice. The Company may elect to pay Mr Weston an equal amount to that proportion of his salary equivalent to 6 months' pay in lieu of notice, together with any outstanding entitlements due to him. The Company may, at any time, by notice in writing terminate Mr Weston's contract immediately in the event of serious misconduct.

The employment conditions of Mr Gary Taylor, Chief Financial Officer and Company Secretary, are formalised in consulting contracts. The current contracts with Mr Taylor commenced on 31 March 2012. Mr Taylor's appointment with the Company may be terminated with the Company giving 1 month's notice or by Mr Taylor giving 1 month's notice. The Company may elect to terminate the consulting contracts with Mr Taylor and pay any outstanding entitlements due under the contracts. The Company may, at any time, by notice in writing terminate Mr Taylor's contracts immediately in the event of serious misconduct.

Agenix Biopharmaceutical Shanghai Co Limited

The employment conditions of Mr John Tong, the General Manager, Agenix Biopharmaceutical Shanghai Co Limited (entity), was formalised in a contract of employment. The employment contract with Mr Tong was not renewed and Mr Tong ceased employment with effect from 15 October 2011. Mr Tong was paid a termination payment of $30,000 in respect of unused entitlements and in full settlement of all claims.

The employment conditions of Mr John Yue, Manager, New Drugs are formalised in a contract of employment. The current employment contract with Mr Yue commenced on 1 April 2012. Mr Yue's appointment with the entity may be terminated with the entity giving 1 month's notice or by Mr Yue giving 1 month's notice. The entity may elect to pay Mr Yue an equal amount to that proportion of his salary equivalent to 1 month's pay in lieu of notice for every year of service or part thereof, together with any outstanding entitlements due to him. The entity may, at any time, by notice in writing terminate Mr Yue's contract immediately in the event of serious misconduct.

Non-executive officer remuneration

Agenix Limited

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Non-executive director remuneration is determined within the aggregate Directors fee pool, which is periodically recommended for approval by shareholders. The latest determination was at an Extraordinary General Meeting held on 17 April 2007 when shareholders approved an aggregate remuneration of $500,000 per annum.

Each Director receives a fee for being a Director of the Company. No additional fees are paid for Board committee membership. Should a Director be requested by the Chairman to undertake review work additional to normal Board and Board committee work, the Director receives additional fees based on commercial hourly rates. However, the additional fees will not result in the aggregate amount of Directors' fees approved by shareholders being exceeded.

The Board continued the recommendation to reduce fees payable to non-executive directors of Agenix Limited to $32,000 per annum.

Agenix Biopharmaceutical (Shanghai) Co Ltd.

Mr Tang Wen Sen is the Non-Executive Chairman and legal representative of Agenix Biopharmaceutical (Shanghai) Co Limited. Mr Tang receives a fee for being a Director and legal representative of RMB 400,000 per annum (AUD $67,490). All Directors of Agenix Limited are Directors of Agenix Biopharmaceutical (Shanghai) Co Limited but do not receive any additional fees in respect of this appointment.

Auditor's Independence Declaration

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DECLARATION OF INDEPENDENCE BY PAUL GALLAGHER TO THE DIRECTORS OF AGENIX LIMITED

As lead auditor of Agenix Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Agenix Limited and the entities it controlled during the year.

P A Gallagher

Director

BDO Audit Pty Ltd

Brisbane, 29 August 2012

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Statement of Corporate Governance

Agenix Limited ('Agenix' or 'the Company') Approach to Corporate Governance and Responsibility

The Agenix Board of Directors is committed to the principles underpinning good corporate governance, applied in a manner which is most suited to Agenix, and to best addressing the directors' accountability to shareholders and other stakeholders. This is supported by a commitment to the highest standards of legislative compliance and financial and ethical behaviour.

The Company continues to address directors' accountability to stakeholders in a manner consistent with the Company's individual circumstances enhanced through the introduction of publicly available policies and procedures which are designed to foster a culture of transparency in the way Agenix is directed and managed.

As a measure of its stated commitment to good corporate governance principles, the Board will continue to:

- Review and continually improve its governance practices; and
- Monitor developments in good corporate governance.

Report on Compliance with the ASX Best Practice Recommendations

Currently, the ASX Listing Rules require listed companies to include in their Annual Report a statement disclosing the extent to which they have followed the ASX Best Practice Recommendations ('Recommendations') in the reporting period.

Listed companies must identify the recommendations that have not been followed and provide reasons for the Company's decision. Where a recommendation has been followed for only part of the period the Company must state the period during which it had been followed.

As detailed within this Statement of Corporate Governance Practices; Agenix considers its governance practices comply with:

- each of the ASX Corporate Governance Principles ('Principles'); and
- the Recommendations, except for those detailed, and for the reasons outlined, in this Report.

For the reasons expressed within this statement, Agenix has elected not to adopt Recommendations 2.1, 2.2, 2.3, 2.4, 3.2, 4.1, 4.2 and 8.1. Agenix is a small company and accordingly the directors consider that many of the corporate governance guidelines intended to apply to larger companies are not practical.

Agenix's Statement of Corporate Governance is available at www.agenix.com.

Date of this Statement

This statement outlines the:

- Principles and Recommendations identified by the ASX as underlying good corporate governance; and
- Main corporate governance practices of Agenix during the year to 30 June 2012, except where stated otherwise.

Principle 1: Lay solid foundations for management and oversight.

Companies should establish and disclose the respective roles and responsibilities of board and management.

Recommendation 1.1:
Formalise and disclose the functions reserved for the board and those delegated to senior executives and disclose those functions.

Recommendation1.2:
Disclose the process for evaluating the performance of senior executives.

Recommendation 1.3:
Provide the information indicated in the Guide to reporting on Principle 1.

Formalisation of Board and Management Functions

The Board has formalised its roles and responsibilities into a Charter. The Board Charter clearly defines the matters that are reserved for the Board and those that the Board has delegated to management.

In summary the responsibilities of the Agenix Board include:

- oversight of the Company, including its control and accountability systems;
- setting the Company's major goals including the strategies and financial objectives to be implemented by management;
- appointing, removing and controlling the Chief Executive Officer;
- ratifying the appointment and where appropriate the removal of the Chief Financial Officer and/or Company Secretary;
- input into and final approval of management's development of corporate strategy and performance objectives;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- monitoring senior management's performance and implementation of strategy, and ensuring that appropriate resources are available;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- approving and monitoring financial and other reporting; and
- corporate governance.

The Board has delegated responsibility to the Chief Executive Officer for:

- developing and implementing corporate strategies and making recommendations on significant corporate strategic initiatives;
- maintaining an effective risk management framework and keeping the Board and market fully informed about material risks;
- developing Agenix's annual budget, recommending it to the Board for approval and managing day to day operations within the budget;
- managing day to day operations in accordance with standards for social and ethical practices which have been set by the Board; and
- approval of capital expenditure and business transactions within predetermined limits set by the Board.

Senior Executive Performance Evaluation

The Board is responsible for approving the performance objectives and measures for the Chief Executive Officer and assessing whether these objectives have been satisfied by the performance of the Chief Executive Officer during the relevant period and in accordance with agreed terms of engagement.

The Chief Executive Officer is responsible for approving the performance objectives and measures of other senior executives in consultation with the Board. The Board provides input into the evaluation of performance by senior executives against established performance objectives.

The performance of senior executives is monitored by the means of scrutiny by the Board of regular monthly reports provided by management regarding the Group's financial performance and forecasted results, presentations and operational reports, and the achievement of predetermined performance objectives.

Principle 2: Structure the board to add value.

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

Recommendation 2.1:
A majority of the board should be independent directors.

Recommendation 2.2:
The chair should be an independent director.

Recommendation 2.3:
The roles of chair and Chief Executive Officer should not be exercised by the same individual.

Recommendation 2.4:
The board should establish a nomination committee.

Recommendation 2.5:
Disclose the process for evaluating the performance of the board, its committees and individual directors.

Recommendation 2.6:
Provide the information included in the Guide to reporting on Principle 2.

Independence

An Agenix director will be considered independent where he or she is:

- independent of management, that is a non-executive director; and
- free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of his or her unfettered and independent judgement.

Materiality is assessed on a case by case basis by reference to the director's individual circumstances rather than general materiality thresholds.

The Agenix Board has made its own assessment to determine the independence of each director on the Board. It is the Board's view that during the year ended 30 June 2012 that one current non-executive director was independent, namely: Mr A Lee. Further particulars as to the reasons for the appointment of an Executive chair are found later in this report under the heading Chairman.

In view of the size of the Company and the nature of its activities, the Board considers that the current mix of skills, experience, qualifications and experience on the Board is consistent with the long-term interests of the Company. The Board will continue to monitor the requirements for independent directors in the context of the Company's communicated long-term objectives.

The Board, based upon its overall assessment of the factors facing the Company, has elected not to adopt Recommendation 2.1 until it is practical to do so and will continue to monitor the requirements of this recommendation.

The Board has established criteria for assessing the independence of its directors.

Composition of the Board

The Agenix Board currently comprises two (2) non-executive directors and one (1) executive director.

The desirable composition of the Board is based on the following factors:

- the Company's constitution provides for the number of directors to be not less than three (3) and not more than ten (10) as determined by directors from time to time;
- the Board is cognisant that the position of Chairman should where possible be held by a non-executive director.
- Consistent with the Company's objective that the Board should encompass a broad range of relevant expertise, the present Board consists of directors with a collective of diverse skills, qualifications and experience as more fully detailed in the Directors' Report.
- The Board considers that the individual directors make highly skilled decisions in the best interests of Agenix, despite the majority of the Board not being independent directors.

There is no shareholding requirement imposed upon directors under the Company's Constitution; however, all of the directors of Agenix hold shares in the Company.

Details of all holdings by directors in the Company are included within the Directors' Report.

Chairman

The chairman is selected by the Board.

The current chairman, Mr N Weston, was appointed as an independent non-executive director and Chairman on 22 August 2008 and continued in that role until 4 January 2010.

Mr Weston was appointed to the role of Chairman and Chief Executive Officer on 4 January 2010.

The Board has considered:

- whether it would be beneficial to appoint a lead independent director;
- other positions held by the existing chair and the other non-executive director and the available time of each director; and
- the skills and qualifications and experience of the existing directors

and based on its overall assessment of these factors it has elected not to adopt Recommendation 2.2 to appoint:

- a lead independent director
- independent chairman
- alternative chairman.

The Board will continue to assess the requirements of this recommendation in the context of the Company's individual circumstances and its communicated long-term objectives.

Separation of Roles of Chair and CEO

For the year ended 30 June 2012 the roles of Chairman and CEO were combined.

In view of the size of the Company and the nature of its activities, the Board considers that the skills, experience and qualifications of the Executive Chair are consistent with the long-term interests of the Company. The Board will continue to monitor the requirements for separation of the roles of Chair and CEO in the context of the Company's communicated long-term objectives.

The Board, based upon its overall assessment of the factors facing the Company has elected not to adopt Recommendation 2.3 until it is advantaged by doing so and will continue to monitor the requirements of this recommendation.

Establishment of Nomination Committee

Agenix has elected not to adopt Recommendation 2.4 as it considers that its existing selection and appointment practices, detailed within this Statement, are an efficient means of meeting the needs of the Company, particularly having regard to the fact that Agenix is a relatively small publicly listed company by comparison to other listed entities which is reflected by the size of its operations, board structure and composition.

The Agenix Board currently consists of three (3) members. It is considered further division of the Board for the purposes of establishing a formal committee structure would not achieve enhanced efficiency or enable the Board to add greater value to this process.

The small size of the Agenix Board, and the nature of its business, means that Agenix has the present capacity to consider directors competencies, selection and nomination practices in the context of duly constituted meetings of the Board and as a part of its self-evaluation processes.

Board Performance Evaluation

The Board has adopted an on-going self-evaluation process to measure its own performance and the performance of its committee functions during the reporting period.

The Chairman meets periodically with the individual directors to discuss the performance of the Board and the director. The Chairman's performance is also formally evaluated by the Board. In addition, an evaluation is undertaken by the Chairman of the contribution of directors retiring by rotation prior to the Board endorsing their candidature.

The review process involves consideration of all of the Board's key areas of responsibility and accountability and is based on an amalgamation of factors including capability skill levels, understanding of industry complexities, risks and challenges, and value adding contribution to the overall management of the business.

A performance evaluation for the Board, its committee functions and directors including the Chairman took place during the reporting period in accordance with the process detailed within this statement.

The outcomes of the self-assessment program are used to enhance the effectiveness of individual directors and the Board collectively.

Enhanced effectiveness of the Board and management is also addressed through:

Board Meetings

The frequency of Board meetings and directors' attendance at those meetings is detailed within the Directors' Report. Directors are expected to prepare for the meetings in a manner which will enable them to attend and participate at the meeting.

Directors are also required to make on-site visits and attend workshops as required.

Induction Program

Procedures for induction of new directors are in place to allow new directors to participate fully and actively in board decision making at the earliest opportunity.

All directors are offered an induction program appropriate to their experience upon appointment so as to familiarise them with matters relating to the business, strategy and any current issues under consideration by the Board. This program consists of written background material on the Company, its products, services and operations, and scheduled meetings with the Chairman and CEO or Executive Chairman of the Company.

Director Education

The Board encourages directors to continue their education by participating in applicable workshops and seminars and attending site visits and undertaking relevant external education.

The Company Secretary provided directors with on-going information on matters such as corporate governance, the Company's Constitution and the law.

Board Briefings and Agendas

Board agendas are structured throughout the year in order to ensure that each of the significant responsibilities of the Board is addressed.

Prior to each meeting, directors receive financial, operational and strategy reports from senior management who are available to discuss reports with the Board.

Access to Information

All directors have access to company records and information, and receive regular detailed financial and operational reports from senior management.

The Company Secretary is available to all directors and may be consulted on on-going issues of corporate governance, the Agenix constitution and the law. In addition the Executive Chairman and other non-executive directors consult with each other and the Chief Financial Officer, and may confer and request additional information from any Agenix employee or consultant. Management are available to discuss reports, and any issue arising, with the Board as required.

Term of Office, Skills, Experience and Expertise of Each Director

The qualifications, experience and expertise of the directors, and the respective terms of office held by individual directors, are set out in the Directors' Report contained within the 2012 Agenix Annual Report.

Independent Professional Advice

Agenix has in place a procedure whereby, after appropriate consultation, directors are entitled to seek independent professional advice, at the expense of Agenix, to assist them to carry out their duties as directors. The policy of Agenix provides that any such advice is made available to all directors.

Procedure for Selection and Appointment of New Directors

The process for appointing a director with Agenix is that, when a vacancy exists, the Board identifies candidates with the appropriate expertise and experience, using external consultants as appropriate. The most suitable candidate is appointed but must stand for election at the next Annual General Meeting following the appointment.

Consistent with current law there is no retirement age for directors fixed by the *Corporations Act 2001 (Cth),* ASX Listing Rules, although a person of or over the age of seventy-two (72) years of age may not be appointed or re-appointed as a director except pursuant to a resolution of the Company in accordance with the Company's Constitution.

The process for re-election of a director is in accordance with the Company's Constitution, which requires that each year, at least one-third of the non-executive directors retire from office at the Annual General Meeting. The retiring directors may be eligible for re-election.

Principle 3: Promote ethical and responsible decision-making

Companies should actively promote ethical and responsible decision-making.

Recommendation 3.1:
Establish a code of conduct and disclose the code or a summary of the code as to the:

- practices necessary to maintain confidence in the company's integrity;
- practices necessary to take into account their legal obligations and the reasonable expectations of shareholders; and
- responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Recommendation 3.2:
Establish a policy concerning diversity, and disclose the policy or a summary of that policy.

Recommendation 3.3:
Disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

Recommendation 3.4:
Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

Recommendation 3.5:
Provide the information indicated in the Guide to reporting on Principle 3.

Code of Conduct

Agenix is committed to the operation of its business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of the Company and the industry in which it operates.

The Board has approved a Code of Conduct which applies to all directors, executives, management and employees without exception.

The Code of Conduct is designed to ensure that:

- high standards of corporate and individual behaviour are observed by all Agenix directors, executives, management and employees in the context of their respective roles and the performance of their duties with Agenix;
- directors, executives, management and employees are aware of their responsibilities to Agenix under the terms of their appointment or contract of employment; and
- all of the stakeholders of the Company can be guided by the stated values and policies of Agenix.

In summary, the Code provides that all directors and senior executives must:

- act honestly, in good faith and in the best interests of the Company;
- use due care, skill and diligence in fulfilling their duties;
- use the power of their position for a proper purpose, in the interest of the Company;
- not make improper use of information acquired by virtue of their position;
- not allow personal interest, or those of associates, to conflict with the interest of the company;
- exercise independent judgement and actions;
- maintain the confidentiality of company information acquired by virtue of their position;
- not engage in conduct likely to bring discredit to the Company; and
- comply at all times with both the spirit and the letter of the law, as well as, policies of the Company.

Directors of the Company may act in a professional capacity for the Company or its controlled entities, other than as auditor of the Company. These arrangements are subject to the restrictions of the *Corporations Act 2001 (Cth).*

Disclosure of related party transaction is set out in the Notes to the Financial Statements

Under the Constitution of the Company and the *Corporations Act 2001 (Cth),* where the possibility of a conflict of interest exists and involves a director, directly or indirectly, the director must declare that fact, nature, character and extent of the conflict at the first meeting of directors held after the relevant facts come to the director's knowledge.

The director concerned does not receive copies of the relevant Board papers, if any, and withdraws from the Board meeting while such matters are considered by the remainder of the Board. Accordingly, the interested director takes no part in discussions nor exercises any influence over other members of the Board if a potential conflict of interest exists.

In addition, Agenix has developed a series of policies designed to promote ethical and responsible decision making by directors, executives, management, employees and contractors of the Company including:

- Share Trading Policy;
- Market Disclosure Policy;
- Privacy Policy;
- Occupational Health and Safety Policy;
- Environmental Policy;
- Code of Conduct;
- Risk and Assurance Framework; and
- Whistleblower Policy.

Employees are actively encouraged to report activities or behaviour to senior management, the Company Secretary or the Board, which are in breach of the Code of Conduct, other Agenix policies or regulatory requirements or laws.

The Company will investigate any concerns raised in a manner that is fair, objective and affords natural justice to all people involved. The Company is committed to making necessary changes to its processes and taking appropriate action in relation to any directors or employees found to have behaved contrary to legal and company standard requirements.

Trading Policy

Directors, senior executives and employees are subject to the *Corporations Act 2001 (Cth)* relative to restrictions applying for, acquiring and disposing of securities in, or other relevant products of, the Company (or procuring another person to do so) if they are in the position of inside information.

Inside information is that information which is not generally available and which, if generally available, a reasonable person would expect it to have a material effect on the price or value of the securities in the Company.

Under the Agenix trading policy, directors, senior executives and employees of the Company are restricted from trading in the Company's securities during the period of one (1) month preceding the making of an announcement to the market by the Company relating to:

- Company's Annual results;
- Company's Half Year results; and
- Chairman's Address.

The Company notifies the ASX of any change in a director's interests in securities, and in contracts relevant to securities, as required by ASX Listing Rules.

The Company's trading policy was lodged with the ASX in December 2010 for announcement to the market.

Diversity

The Board recognises the benefits of achieving an appropriate mix of diversity on its Board and throughout the Company as a means of enhancing the Company's performance and organisational capabilities. However, at this stage of development of the Company, the Board has elected not to establish a formal diversity policy due to limited number of personnel employed by the Company and the nature of its current activities.

Measurement of Diversity Objectives

Agenix aims to achieve an appropriate mix of diversity on its Board, in senior management and throughout the organisation. The Agenix Board has determined that no specific measurable objectives will be established until the number of employees and level of activities of the Company increases to a level sufficient to enable meaningful and achievable objectives to be developed.

Women Employees

Agenix has three directors, all of whom are male. The Company Secretary/Chief Financial Officer is male. The other three employees of the Company are male. Agenix had no female employees as at the date of this report. The research being undertaken by Agenix is outsourced and this includes female scientists whose positions range from lead scientist to research assistants.

Principle 4: Safeguard integrity of financial reporting.

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

Recommendation 4.1:
The Board should establish an audit committee.

Recommendation 4.2:
Structure the committee so that it:

- consists of only non-executive directors;
- consists of a majority of independent directors;
- is chaired by an independent chair, who is not chair of the board; and
- has at least three (3) members.

Recommendation 4.3:
The audit committee should have a formal charter.

Recommendation 4.4:
Provide the information indicated in the Guide to reporting on Principle 4.

Establishment of Audit Committee

Agenix has elected not to adopt Recommendation 4.1 as it considers that its existing practices, detailed within this Statement, are an efficient means of meeting the needs of the Company, particularly having regard to the fact that Agenix is a relatively small publicly listed company by comparison to other listed entities which is reflected by the size of its operations, board structure and composition.

The Agenix Board currently consists of three (3) members. It is considered further division of the Board for the purposes of establishing a formal audit committee structure would not achieve enhanced efficiency or enable the Board to add greater value to this process.

The small size of the Agenix Board, and the nature of its business, means that Agenix has the present capacity to consider directors' competencies, selection and nomination practices in the context of duly constituted meetings of the Board and as a part of its self-evaluation processes.

The Board considers that the technical skills, qualifications and experience represented by the involvement of members Mr C McNamara, Mr N Weston and Mr A Lee are most suited to the effective discharge of these responsibilities.

This approach, which is more suitable for the size of the Company, results in the Company not meeting the strict interpretation of the recommendations set out in Principal 4.

The Board, will, however, continue to monitor the requirements of this recommendation in the context of the Company's prevailing position and circumstances.

Audit Committee – Terms of Reference

Notwithstanding, the Agenix Audit Committee role and responsibilities, composition, structure and membership requirements are detailed in a formalised charter comprising the Audit Committee – Terms of Reference.

Reflecting the relative small size of the Company, the full Board remain responsible for:

- review the annual and half year financial reporting carried out by Agenix;
- review the accounting policies of Agenix;
- review the scope and audit programs of the internal and external auditors and any material issues arising from these audits;
- oversee the independence of external auditors and determining procedures for the rotation of audit partners; and
- the sufficiency of, and compliance with, ethical guidelines and company policies affecting corporate governance, financial reporting and corporate control together with compliance with laws and external regulations;
- identification of the full range of actual or potential risk exposures which are material to Agenix; and
- the effectiveness of the Group's risk management systems and strategies.

Meetings

The audit committee meetings are incorporated into normal board meetings.

Reporting

The Board Members converse as and when required on matters relevant to the audit function.

Engagement and Rotation of External Auditor

The Board is responsible for nominating the external auditor to the Board for reappointment. If the Board recommends a change in external auditor, the Board's nomination of external auditors requires shareholder approval. The Board approves the compensation of the external auditor.

The Board meets with the external auditor throughout the year to review the adequacy of the existing external audit arrangements with particular emphasis on scope, quality and independence of the audit.

It has been determined by the Board that the external auditor will not provide services to the Company where the auditor would:

- have a mutual or conflicting interest with the Company;
- be in a position where they audit their own work;
- function as management of the Company; or
- have their independence impaired or perceived to be impaired in any way.

Specifically, the external auditor will not normally provide the following types of services to the Company:

- bookkeeping or other services relating to the accounting records of the Group;
- financial information or information technology systems design or implementation;
- appraisal and valuation services, fairness opinions or contributions in kind reports;
- actuarial services;
- internal audit outsourcing services;
- management functions, including temporary staff assignments or human resource services, including recruitment of senior management;
- broker or dealer services, investment advisor, corporate finance or investment banking services; and
- legal and litigation support services.

Procedures are in place governing approval of any non- audit work before the commencement of any engagement.

The Board has elected to adopt a policy which is consistent with the primary and secondary rotation obligations regarding auditors such that:

- the lead or review audit partner's responsibilities may not be performed by the same person for longer than five (5) consecutive years ('primary rotation obligation'); and
- the lead or review audit partner's responsibilities may not be performed by the same person for more than five (5) out of seven (7) consecutive years ('secondary rotation obligation').

In addition, the Board requires a minimum of two (2) consecutive years 'cooling off' period before an auditor undergoing rotation can return to playing a significant role in the audit of the Company.

Mr Paul Gallagher of BDO Audit Pty Limited was the lead audit partner for Agenix for the year ended 30 June 2012.

The lead signing and review External Audit Partner attend that part of Board meetings pertaining to audit matters by standing invitation.

Number of Meetings and Names of Attendees

Due to the audit committee function being undertaken by the Board, no separate meetings were held.

Principle 5: Make timely and balanced disclosure

Companies should promote timely and balanced disclosure of all material matters concerning the company.

Recommendation 5.1:
Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior level for that compliance and disclose those policies or a summary of those policies.

Recommendation 5.2:
Provide the information indicated in the Guide to reporting on Principle 5.

Policies and Procedures Regarding Disclosure Requirements

The Agenix Board is committed to keeping its shareholders, and the market, fully informed of major developments having an impact on the Company.

Comprehensive procedures are in place to identify matters that are likely to have a material effect on the price, or value of the Agenix securities and to ensure those matters are notified to the ASX in accordance with ASX disclosure requirements.

Senior management and the Board are responsible for scrutinising events and information to determine whether the disclosure of the information is required in order to maintain the market integrity of the Company's shares listed on the ASX.

The Company Secretary is responsible for all communications with the ASX.

Principle 6: Respect the rights of shareholders

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

Recommendation 6.1:
Design and disclose a communications policy to promote effective communication with shareholders and encourage effective participation by them at general meetings.

Recommendation 6.2:
Provide the information in the Guide to reporting on Principle 6.

Shareholder Communication Policy

Agenix recognises the rights of shareholders to be informed of matters, in addition to those prescribed by law, which affect their investments in the Company.

Agenix is committed to:

- dealing fairly, transparently and openly with both current and prospective shareholders;
- the use of available channels and cost-effective technologies to reach shareholders who may be geographically dispersed and in order to communicate with all shareholders; and
- facilitating participation in shareholder meetings and dealing promptly with shareholder enquiries.

Agenix communicates information to shareholders through:

- the annual report;
- disclosures to the ASX and ASIC;
- notices and explanatory memorandum of annual general meetings and general meetings;
- occasional letters from the Chief Executive Officer to inform shareholders of key matters of interest; and
- the Company's website on the internet at www.agenix.com

The Board encourages active participation by shareholders at each Annual General Meeting, or other general meetings, to ensure a high level of accountability and understanding of Agenix's strategy, performance and goals.

Consistent with best practice, important issues are presented to shareholders as single resolutions expressed in plain, unambiguous language. Proceedings are held in a locality, and at a readily accessible venue, conducive to maximising the number of shareholders present, and able to participate, at the meeting. Shareholders are provided with opportunities to ask the Board questions regarding the management of the Company.

Principle 7: Recognise and manage risk.

Companies should establish a sound system of risk oversight and management and internal control.

Recommendation 7.1:
Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Recommendation 7.2:
The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

Recommendation 7.3:
The board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with Section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Recommendation 7.4:
Companies should provide the information indicated in the Guide to reporting on Principle 7.

Oversight and Management of Material Business Risks

The Board of Agenix:

- recognise that effective management of risk is an integral part of good management and vital to the continued growth and success of Agenix;
- is responsible for the oversight of the Group's risk management and control framework including the development of risk profiles as part of the overall business and strategic planning process including budgeting, decision making (e.g. investment appraisal), monitoring and reporting, project management and internal controls; and
- has implemented a policy framework designed to ensure that the Group's risks are identified, analysed, evaluated, monitored, and communicated within the organisation on an ongoing basis, and that adequate controls are in place and functioning effectively.

The Agenix risk management and control policy framework incorporates the maintenance of appropriate policies, procedures and guidelines which address the Company's unique operating environment and is utilised by the Board as a means of identifying opportunities and avoiding or mitigating losses in the context of its business.

The Chief Executive Officer has ultimate responsibility for the control and management of operational risk and the implementation of avoidance or mitigation measures within the Group and may delegate control of these risks to the appropriate level of management at each location.

The Chief Executive Officer's approach to management of risk as part of key business processes includes consideration, identifying, managing and monitoring uncertainties and vulnerabilities that might impact on the achievement of our corporate goals and reputation.

The Board regularly monitors the operational and financial performance of the Company and the economic entity against budget and other key performance measures. The Board also receives and reviews advice on areas of operational and financial risk and develops strategies, in conjunction with management, to mitigate those risks.

Management has reported to the Board on the effectiveness of the Company's management of its material business risks in respect of the year ended 30 June 2012. This report was undertaken in accordance with the process outlined in this Statement.

CEO and CFO Assurance

The Chief Executive Officer and the Chief Financial Officer of Agenix report annually in writing to the Board that:

- consolidated financial statements of Agenix and its controlled entities for each subsequent half year and full financial year present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with accounting standards; and
- declarations provided in accordance with Section 295A of the Corporations Act are founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer equivalent under Recommendation 7.3 in respect of the year ended 30 June 2012. This assurance was provided in accordance with the process outlined in this Statement.

Principle 8: Remunerate fairly and responsibly.

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

Recommendation 8.1:
The Board should establish a remuneration committee.

Recommendation 8.2:
The remuneration committee should be structured so that it:

- consists of a majority of independent directors;
- is chaired by an independent chair; and
- has at least three members.

Recommendation 8.3:
Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Recommendation 8.4:
Companies should provide the information indicated in the Guide to reporting on Principle 8.

Establishment of Remuneration Committee

Given the nature and size of the Company's operations, the Board has decided against the use of a separate remuneration committee in accordance with Recommendation 8.1. This function is undertaken by the full Board.

The Agenix Board currently consists of three (3) members. It is considered that further division of the Board for the purpose of convening formal remuneration committee meetings would not achieve enhanced efficiency or enable the Board to add greater value to this process.

The small size of the Agenix Board, the nature of its business and its management structure, means that Agenix has the present capacity of giving due consideration to the overall remuneration policies and strategies and strategies of the Company during the conduct of its regular board meetings and by appropriate recourse to relevant market data and, where applicable, to external executive remuneration consultants.

Executive Director and Non-Executive Director Remuneration

The aggregate remuneration of non-executive directors is approved by shareholders.

Individual directors' remuneration is determined by the board within the approved aggregate total. In determining the appropriate level of director's fees, data from surveys undertaken of other public companies similar in size or market section to Agenix is taken into account.

Non-executive directors of Agenix are:

- not entitled to participate in performance-based remuneration practices unless approved by shareholders.
- Currently remunerated by means of the payment of cash benefits in the form of directors' fees.

Agenix does not currently have in place a retirement benefit scheme or allowance for its non-executive directors, except for the payment of superannuation currently equal to nine per cent (9%) as required by law.

A review of the compensation arrangements for the Chief Executive Officer and Senior Executives is currently conducted by the full Board at a duly constituted Directors' Meeting. The review is performed annually and is based upon criteria including individual performance, market rates paid for similar positions and the results of the Company during the relevant period.

The broad remuneration policy objective of Agenix is to ensure that the emoluments provided properly reflect the person's duties and responsibilities and is designed to attract, retain and motivate executives of the highest possible quality and standard to enable the organisation to succeed.

At the 2010 Annual General Meeting shareholders approved the establishment of a new directors and executives share plan known as the Agenix Corporate Equity Plan ('ACEP') which provides the Board with the discretion to grant options to eligible directors, executives and consultants for the purpose of acquiring options and shares pursuant to the plan rules.

The Board ensures that the payment of equity-based executive remuneration is made in accordance with thresholds established by ACEP and exercises its discretion under the scheme in a manner consistent with the broad remuneration policy objectives of the Company.

Agenix is committed to making timely disclosure of all relevant information relating to its remuneration practices and policies.

Policy Disclosure

The Company's policies relating to the remuneration of directors and senior executives and the level of their remuneration are detailed in the Directors' Report contained within the Agenix 2012 Annual Report and Notes to and forming part of the 2012 Financial Statements.

Statement of Comprehensive Income FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated Group 2012 $	2011 $
Revenue	5	26,412	219,960
Depreciation and amortisation expense	6(d)	(11,389)	(9,852)
Employee benefit expense	6(e)	(796,548)	(710,918)
Finance costs	6(b)	(2,864)	(51,991)
Foreign exchange gains (losses)	6(c)	7,962	(670,602)
Occupancy and administrative expenses		(306,413)	(1,448,963)
Research & development expenses	6(a)	(146,364)	(139,565)
Share-based payment expense	26	(126,000)	(52,694)
Write back of surplus lease space accrual		–	157,185
Profit (Loss) before Income Tax		(1,355,204)	(2,707,440)
Income Tax Expense	7	–	(11)
Profit (Loss) for the year		(1,355,204)	(2,707,451)
Other Comprehensive Income			
Exchange differences on translating foreign-controlled entities		69,827	(162,295)
Other Comprehensive Income for the year, net of tax		69,827	(162,295)
Total Comprehensive Income for the year		(1,285,377)	(2,869,746)
Profit (Loss) attributed to owners of Agenix Limited		(1,355,204)	(2,707,451)
Total Comprehensive Income attributed to owners of Agenix Limited		(1,285,377)	(2,869,746)
Earnings Per Share			
Basic and diluted earnings per share ($ per share)	20	(0.002)	(0.004)

The accompanying notes should be read in conjunction with these financial statements.

Statement of Financial Position AS AT 30 JUNE 2012

	Note	Consolidated Group 2012 $	2011 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	11	56,323	1,884,584
Trade and other receivables	12	2,622	43,235
Prepayments		15,533	18,632
Other financial assets	13	–	–
TOTAL CURRENT ASSETS		74,478	1,946,451
NON-CURRENT ASSETS			
Property, plant and equipment	15	26,688	25,125
Intangible assets	16	1,106,150	865,177
TOTAL NON-CURRENT ASSETS		1,132,838	890,302
TOTAL ASSETS		1,207,316	2,836,753
CURRENT LIABILITIES			
Trade and other payables	17	169,307	797,472
Financial liabilities	18	–	52,080
TOTAL CURRENT LIABILITIES		169,307	849,552
TOTAL LIABILITIES		169,307	849,552
NET ASSETS		1,038,009	1,987,201
EQUITY			
Issued capital	19	74,357,980	74,147,795
Share-based payment reserve	19	4,657,942	4,531,942
Foreign currency translation reserve	19	(86,109)	(155,936)
Accumulated losses		(77,891,804)	(76,536,600)
TOTAL EQUITY		1,038,009	1,987,201

The accompanying notes should be read in conjunction with these financial statements

Statement of Changes in Equity FOR THE YEAR ENDED 30 JUNE 2012

Consolidated Group

	Note	Issued capital $	Accumulated losses $	Share-based payment reserve $	FX translation reserve $	Total equity $
Balance at 1 July 2010		72,139,941	(73,829,149)	4,529,248	6,359	2,846,399
Total Comprehensive Income for the year:						
Loss for the year		–	(2,707,451)	–	–	(2,707,451)
Other comprehensive income:						
Foreign currency translation reserve differences		–	–	–	(162,295)	(162,295)
Total Comprehensive Income for the year		–	(2,707,451)	–	(162,295)	(2,869,746)
Transactions with owners in their capacity as owners:						
Shares issued during the year, net of transaction costs		1,957,854	–	–	–	1,957,854
Share-based payments		50,000	–	2,694	–	52,694
		2,007,854	–	2,694	–	2,010,548
At 30 June 2011	19	74,147,795	(76,536,600)	4,531,942	(155,936)	1,987,201
Total Comprehensive Income for the year:						
Loss for the year		–	(1,355,204)	–	–	(1,355,204)
Other comprehensive income:						
Foreign currency translation reserve differences		–	–	–	69,827	69,287
Total Comprehensive Income for the year		–	(1,355,204)	–	69,827	(1,285,377)
Transactions with owners in their capacity as owners:						
Shares issued during the year, net of transaction costs		210,185	–	–	–	210,185
Share-based payments		–	–	126,000	–	126,000
		210,185	–	126,000	–	336,185
At 30 June 2012	19	74,357,980	(77,891,804)	4,657,942	(86,109)	1,038,009

The accompanying notes should be read in conjunction with these financial statements

Statement of Cash Flows FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated Group	
		2012 $	2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		2,750	–
Payments to suppliers and employees		(1,658,267)	(2,805,487)
Payments relating to research and development		(164,108)	(114,137)
Interest received – bank		47,655	42,703
Interest received – China settlement		–	153,808
Payment of Income tax		–	(128)
Finance costs		(2,864)	(91,841)
Net cash provided by (used in) operating activities	11	(1,774,834)	(2,815,082)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for intangible assets		(190,457)	(906,876)
Proceeds arising from settlement deed in respect of China	13	–	3,434,314
Payments for property, plant and equipment		(11,972)	(5,391)
Net cash provided by (used in) investing activities		(202,429)	2,522,047
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares (net of costs)		200,000	798,776
Repayment of borrowings		(52,080)	(137,559)
Net cash provided by (used in) financing activities		147,920	661,217
Net increase (decrease) in cash held		(1,829,343)	368,182
Cash at beginning of financial year		1,884,584	1,736,817
Effect of exchange rate of cash held in foreign currencies		1,082	(220,415)
Cash at end of financial year	11	56,323	1,884,584

The accompanying notes should be read in conjunction with these financial statements

Note 1: Reporting Entity

Reporting Entity

Agenix Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is Ground Floor, 156 Collins Street, Melbourne, Victoria 3000. The consolidated financial statements of the Company as at and for the year ended 30 June 2012 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group Entities'). The Group is a primarily involved in Biotechnology. For the purposes for preparing the financial statements, the Group is a for-profit entity.

Agenix Limited is a public company limited by shares, incorporated and domiciled in Australia and listed on the Australian Securities Exchange.

Note 2: Basis of Preparation

a. Statement of compliance

The consolidated financial statements are a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (AASBs), adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001.* The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 29 August 2012.

b. Basis of measurement

The consolidated financial statements have been prepared on the basis of historical cost except for other financial assets as detailed in Note 13.

c. Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Group's functional currency.

d. Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies is included in the individual notes, where appropriate.

e. Changes in accounting policies

From 1 July 2010 the Group has applied amendments to AASB 101 *Presentation of Financial Statements* outlined in AASB 2010-4 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Project.* The change in accounting policy only relates to disclosures and had no impact on consolidated earnings per share or net income.

f. Parent entity financial statements

The Group has continued to apply amendments to the *Corporations Act (2001)* that remove the requirement for the Group to lodge parent entity financial statements. Parent entity financial statements have been replaced by the specific parent entity disclosures in Note 10.

Note 3: Going Concern

The Group's financial statements have been prepared and presented on a basis assuming it continues as a going concern.

The reported loss from operations was $1,355,204 (2011: $2,707,451).

At 30 June 2012, the Group had cash at bank totalling $56,323 (2011: $1,884,584). The Group's ability to continue as a going concern is dependent on its ability to raise additional capital and continued access to the Fortrend fixed subscription agreement which provides funding of $100,000 per month for 12 months commencing on 1 May 2012.

The going concern basis of accounting contemplates the continuity of normal business activities, including the realisation of assets and settlement of liabilities in the normal course of business.

The directors believe that the Group will be able to raise new equity capital to fund its business plans by way of a rights issue or capital raising from existing and potential cornerstone investors.

Should future capital raisings not be successful, the Group may not be able to continue as a going concern. Furthermore, the ability of the Group to continue as a going concern is subject to the ability of the Group to successfully develop and commercialise the products being developed. If the Group is unable to obtain funding of an amount and timing necessary to meet its future operational plans, or to successfully commercialise its intellectual property, the Group may be unable to continue as a going concern. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Note 4: Significant Accounting Policies

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

a. Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interest and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available for sale financial asset depending upon the level of influence retained.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses from intra-group transactions, are eliminated in preparing the consolidated financial statements.

b. Foreign currency

Foreign currency transactions and balances

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currencies at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

c. Foreign operations

The assets and liabilities of foreign operations, including fair value adjustments, are translated to the presentation currency using exchange rates at the reporting date. The Group does not operate in hyperinflationary economies.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. When the settlement of a monetary item receivable or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains or losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the currency translation reserve in equity.

Note 4: Significant Accounting Policies (continued)

d. Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value or amortised cost using the effective interest rate method. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

a. the amount at which the financial assets or financial liability is measured at initial recognition;

b. less principal repayments;

c. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest rate method; and

d. less any reduction for impairment.

The effective interest rate method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in the profit or loss.

Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost, using the effective interest rate method, less any impairment losses.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period, which are classified as non-current assets.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Other financial liabilities comprise loans and borrowings and trade and other payables.

Fair value

Fair value may be determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models. Discounted cash flow models are used for other financial assets and financial liabilities, where applicable.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the profit and loss.

Derecognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with original maturities of one month or less.

Non-derivative financial liabilities
The Group initially recognises debt securities issued and subordinated on the date that they originated. All other financial liabilities (including liabilities designated at fair value through the profit and loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the assets and liability.

The Group classified non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Compound financial instruments
Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares does not vary with changes in fair value.

The liability component of a financial instrument is recognised originally at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest rate method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest, losses and gains relating to the financial liability are recognised in the profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

e. Share capital

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

Note 4: Significant Accounting Policies (continued)

f. Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the consolidated Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	20%–50%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit and loss.

g. Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

h. Intangibles

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life ranging from 5 to 10 years. Patents relating to the research phase of a project are expensed at the time of incurring the cost, as the future value of the patent cannot be determined.

AGX-1009

AGX-1009 is a separately acquired intangible asset and comprises intellectual property, rights and know-how and patents in respect of the property. Intellectual property is recognised at cost of acquisition. Intellectual property is carried at cost less any accumulated amortisation and any impairment losses. The costs incurred in respect of pre-clinical trials are considered directly attributable costs for preparing the product for its intended use, as the primary purpose of the trials is to ensure that the efficacy of the product is established. These costs are in addition to the purchase price of AGX-1009 and have been assessed as forming part of the overall acquisition. The life of the overall intellectual property is assessed on an annual basis to assess whether or not impairment is required.

AGX-1009 has not yet commenced the clinical testing phases of the project.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

i. Impairment

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit and loss.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

j. Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within 1 year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than 1 year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

k. Share-based payment transactions

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using an option pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

l. Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax (GST) or value added tax (VAT).

m. Income tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Note 4: Significant Accounting Policies (continued)

m. Income tax (continued)

Tax consolidation
Agenix Limited and its wholly owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The tax consolidated group has entered a tax funding arrangement whereby each company in the group contributes to the income tax payable by the group in proportion to their contribution to the group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity, Agenix Limited.

Peoples Republic of China
Under current taxation law in China, company tax is imposed at 25% of taxable income. Industries beneficial to Chinese development receive a preferential tax rate of approximately 15% of taxable income. The Group's wholly owned subsidiary, Agenix Biopharmaceutical (Shanghai) Co Limited is domiciled in China and could apply for such preferential tax treatment in the future; however, it has not yet met the major criterion. It may meet the criterion set out by the Chinese authorities in the future but this cannot be guaranteed and as such all amounts are expressed utilising the normal rate of taxation imposed in China.

Chinese taxation law provides that losses incurred must be recouped within 5 years; otherwise they cannot be offset against future income.

The Group does not bring to account any future taxation benefits as a result of this time limitation as the certainty of recovery cannot be assured within the time limits imposed.

n. Earnings per share
The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

o. Segment reporting

Accounting policies
The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings since the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold or to be sold and/or services provided by the segment;
- the type or class of customer for the products or service;
- the distribution method; and
- external regulatory requirements.

Accounting policies adopted
Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Intersegment transfers
Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the Group at arm's length. These transfers are eliminated on consolidation.

Segment assets
Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location. Unless indicated otherwise in the segment assets note, investments in financial assets and intangible assets have not been allocated to operating segments.

Segment liabilities
Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables.

Unallocated items
The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- derivatives;
- net gains on disposal of available-for-sale investments;
- impairment of assets and other non-recurring items of revenue or expense;
- income tax expense; and
- discontinuing operations.

Segments
The Group has the following segments:

AGX-1009, a patented novel targeted prodrug analog of an existing compound, Tenofovir, which is currently undergoing pre-clinical trials in China.

ThromboView®, a monoclonal antibody related to the detection of blood clots. Monoclonal antibodies (mAb or moAb) are mono-specific antibodies that are identical because they are produced by one type of immune cell that are all clones of a single parent cell. Given (almost) any substance, it is possible to create monoclonal antibodies that specifically bind to that substance; they can then serve to detect or purify that substance. This has become an important tool in biochemistry, molecular biology and medicine.

China recovery, monies recovered and expended in relation to the unwinding of the ill-executed 2007 business acquisition and subsequent recovery of funds from the original vendors.

Geographical information
The Group's operations are located in Australia with the AGX-1009 segment having operations in the People's Republic of China.

The AGX-1009 segment intends to sell principally within Asia including mainland China. Revenue is yet to be generated from this segment whilst it completes clinical trials and then regulatory approval initially in China with a view to seeking licensing deals and regulatory approval in other geographies.

p. Provisions
Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

q. Borrowing costs
Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are directly attributable to the acquisition, construction or production of a qualifying asset or relate to establishment costs which are amortised over the term of the borrowings.

r. Goods and services tax (GST) and foreign-based value added tax (VAT)
Revenues, expenses and assets are recognised net of the amount of GST or VAT, except where the amount of GST or VAT incurred is not recoverable from the appropriate Taxation Authority. In these circumstances the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST or VAT, where applicable.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST or VAT component of investing and financing activities, which are disclosed as operating cash flows.

Note 4: Significant Accounting Policies (continued)

s. Critical accounting estimates and judgements

The Board evaluates estimates and judgements incorporated into the financial report on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained both externally and within the Group.

Key estimates – impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Key judgement – development

The Group has acquired an intangible asset, AGX-1009. The Group has assessed that the costs of acquisition and associated costs for pre-clinical trials undertaken to ensure that the safety and efficacy of the product satisfy the relevant recognition criteria of AASB 138 Intangible Assets. As such the acquisition costs and pre-clinical trial costs are being recognised as an intangible asset. Refer Note 16 for further information.

Key judgement – deferred tax asset

The recognition of a deferred tax asset associated with carry forward tax losses cannot be justified on the basis that recovery in the future is not probable at this time.

t. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2010, and 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 IFRS 9 *Financial Instruments*, which becomes mandatory for the Group's 2014 consolidated financial statements and could change the classification and measurement of financial assets. On 4 August 2011, the International Accounting Standards Board issued an exposure draft proposing to change the mandatory effective date of IFRS 9 to annual periods beginning on or after 1 January 2015 rather than being required to apply them for annual periods beginning on or after 1 January 2013 as currently required. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

Note 5: Revenue

	Note	Consolidated Group	
		2012 $	2011 $
Interest received – bank		23,912	66,452
Interest received – China recovery		–	153,508
Government grants		2,500	–
Total revenue		26,412	219,960

Note 6: Expenses

	Note	Consolidated Group 2012 $	Consolidated Group 2011 $
Expenses			
a. **Research & development expensed as incurred**			
ThromboView®		120,614	45,614
AGX-1009		24,850	85,951
Other		900	8,000
		146,364	139,565
b. **Finance costs**			
Interest – external		2,864	51,991
		2,864	51,991
c. **Foreign exchange**			
Realised foreign currency translation losses (net)		1,512	552,100
Unrealised foreign currency translation losses (gains) (net)		(9,474)	118,502
		(7,962)	670,602
d. **Depreciation and amortisation**			
Depreciation of non-current assets	15	11,389	9,852
		11,389	9,852
e. **Employee benefit expense**			
Wages and salaries		700,960	666,333
Compulsory superannuation and pension contributions		48,591	44,585
Annual leave provided		39,040	–
Workers compensation insurance		2,084	–
Fringe benefits tax		5,873	–
		796,548	710,918
f. **Significant revenue and expenses**			
Expenses			
Employee benefit expense	6e.	796,548	710,918
		796,548	710,918

Note 7: Income Tax Expense

	Note	Consolidated Group 2012 $	Consolidated Group 2011 $
The prima facie tax, using tax rates applicable in the country of operation, on profit (loss) differs from the income tax provided in the financial statements as follows:			
Profit (Loss) before tax from continuing operations		(1,355,204)	(2,707,440)
Profit (Loss) before tax		(1,355,204)	(2,707,440)
Prima facie tax on profit (loss) from ordinary activities before income tax at Australian tax rate 30% (2011: 30%)		(321,628)	(648,036)
Prima facie tax on profit (loss) from ordinary activities before income tax at Chinese tax rate 25% (2011: 25%)		(70,778)	(136,831)
		(392,406)	(784,867)
Tax effect of:			
– Share-based expense payments during year		37,800	15,808
– Other non-allowable items		2,477	4,909
Deferred tax assets not recognised as recoverability is not probable		352,129	764,161
Income tax expense		–	11
Income tax expense		–	11
		–	11
Income tax expense represents the amount due in respect of taxation due in Singapore which is not part of the tax consolidation group.			
Deferred tax assets are not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 4(m) occur.			
Origination and reversal of temporary timing differences		214,536	9,000
Operating tax losses as at 30 June 20121		63,821,766	62,285,128
Capital tax losses		21,217,314	21,484,814

1 Chinese taxation law limits the availability of losses carried forward for a period of 5 years from the year in which they are incurred, subject to some deferral rules, and as such will have no effect until 2016. Australian taxation law (subject to eligibility criteria) has no time limit on the availability of losses carried forward to be offset against future assessable income.

Note 8: Segment Information

The following is an analysis of the Group's revenue and results from continuing and reportable segments.

	2012 $	2011 $
Segment revenue and results		
Revenue		
– ThromboView®	–	–
– AGX-1009	–	–
Total Revenue	–	–
Depreciation and amortisation		
– ThromboView®	–	–
– AGX-1009	(10,432)	(9,593)
Unallocated	(957)	(259)
	(11,389)	(9,852)
Segment result		
– ThromboView®	(166,251)	(121,245)
– AGX-1009	(347,634)	(600,541)
– China settlement	–	(753,510)
Total for continuing operations	(513,885)	(1,475,296)
Interest received and receivable – bank	23,912	66,542
Government grants	2,500	–
Finance costs	(2,864)	(51,991)
Share-based payment expense	(126,000)	(52,694)
Depreciation and amortisation	(957)	(259)
Administration costs and directors' salaries	(745,872)	(1,241,511)
Write back of surplus lease accrual	–	157,185
Realised foreign exchange gains (losses)	(1,512)	9,086
Unrealised foreign exchange gains (losses)	9,474	(118,502)
Profit (Loss) before tax (continuing operations)	(1,355,204)	(2,707,440)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2011: Nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 4. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, investment income, gains and losses, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Note 8: Segment Information (Continued)

Segment assets and liabilities

	30 June 2012 $	30 June 2011 $
Segment assets		
– ThromboView®	1,184	109,430
– AGX-1009	1,145,728	918,380
Total segment assets	1,147,912	1,027,810
Unallocated assets	59,404	1,808,943
Consolidated total assets	1,207,316	2,836,753
Segment liabilities		
– ThromboView®	9,113	5,078
– AGX-1009	65,160	391,806
Total segment liabilities	74,273	396,884
Unallocated liabilities	95,034	452,668
Total consolidated liabilities	169,307	849,552

Other segment information

	Depreciation & Amortisation		Additions to non-current assets	
	30 June 2012 $	30 June 2011 $	30 June 2012 $	30 June 2011 $
ThromboView®	–	–	–	–
AGX-1009	10,432	9,593	235,014	869,900
Other	–	–	–	–
Unallocated	957	259	7,482	1,939
	11,389	9,852	242,496	871,839

Note 8: Segment Information (Continued)

Geographical	Australia	China	Consolidated
	$	$	$
2012			
Revenue	25,799	633	26,412
Profit (Loss) before tax	(1,072,091)	(283,113)	(1,355,204)
Non-current assets	9,161	1,123,677	1,132,838
Total assets	60,588	1,146,728	1,207,316
Total liabilities	104,147	65,160	169,307
2011			
Revenue	56,414	163,546	219,960
Profit (Loss) before tax	(1,354,436)	(1,353,004)	(2,707,440)
Non-current assets	1,679	888,623	890,302
Total assets	1,918,373	918,380	2,836,753
Total liabilities	457,745	391,807	849,552

Note 9: Auditors' Remuneration

	Consolidated Group	
	2012 $	2011 $
Remuneration of the auditor of the parent entity for:		
– auditing or reviewing the financial statements	48,000	47,258
Remuneration of other auditors of subsidiaries for:		
– auditing or reviewing the financial statements of subsidiaries	–	–
	48,000	47,258

There was no remuneration paid or payable to the auditors for non-audit services.

Note 10: Parent Entity Information

The *Corporations Act* requirement to prepare parent entity financial statements where consolidated financial statements are prepared has been removed and replaced by regulation 2M.3.01 which requires the following limited disclosure in regards to the parent entity (Agenix Limited). The consolidated financial statements incorporate the assets, liabilities and results of the parent entity in accordance with the accounting policy described in Note 4.

Parent entity	**2012** **$**	**2011** **$**
Current assets	50,243	1,780,467
Non-current assets	1,713,251	1,263,242
Total assets	1,763,494	3,043,709
Current liabilities	93,089	439,356
Non-current liabilities	–	273,021
Total liabilities	93,089	712,377
Net assets	1,670,405	2,331,332
Equity		
Issued capital	74,357,980	74,147,795
Share-based payment reserve	4,657,942	4,531,942
Accumulated losses	(77,345,517)	(76,348,405)
Total equity	1,670,405	2,331,332
Profit/(loss) for the year	(997,112)	(986,325)
Total comprehensive income for the year	(997,112)	(986,325)

Guarantees

Agenix Limited and its Australian controlled entities have entered into a Deed of Cross Guarantee (Refer Note 14).

The parties to the Deed of Cross Guarantee are:

Agenix Limited
Agen Limited
Agen Biomedical Limited

The effect of the Deed is that Agenix Limited has guaranteed to pay any deficiency in the event of the winding up of the Australian-controlled entities and the Australian-controlled entities have guaranteed to pay any deficiency in the event of winding up of Agenix Limited. Agen Inc and Agenix Biopharmaceutical (Shanghai) Company Limited, each being overseas subsidiaries are not subject to the Deed of Cross Guarantee.

Contractual commitments

There were no contractual commitments for the acquisition of property, plant and equipment entered into by the parent entity at 30 June 2012 (2011: $nil).

Contingent liabilities

At the date of this report no contingent liability exists in relation to the Deed of Cross Guarantee.

The following contingent liability exists in respect of the OKS AGX subscription deed:

	2012 $	2011 $
Agenix Limited raised $5 million from a placement of 41,666,667 shares under a subscription deed on 18 March 2008.		
The Company has been requested to confirm that it is not in breach of certain warranties within the deed, which the Company has confirmed.		
Although communication with the Subscriber indicates that no immediate action will be taken, should ultimately successful litigation be taken against the Company in respect of the deed the Company may be required to repatriate the full subscription of $5 million.	5,000,000	5,000,000

Note 11: Cash and Cash Equivalents

	Consolidated Group	
	2012 $	2011 $
Cash at bank and in hand	16,551	32,227
Deposits on demand	39,772	1,852,357
Cash and cash equivalents	56,323	1,884,584

Cash at bank and in hand is non-interest bearing. Deposits on demand bear floating interest rates between 1.4% and 6% (2011: 1.4 and 6%). These deposits have an average maturity of 30 days, but are callable upon demand.

Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the Statement of Financial Position as follows:

	2012 $	2011 $
Cash and cash equivalents	56,323	1,884,584
Reconciliation of the net profit (loss) after tax to the net cash flows from operations		
Net profit (loss) after income tax	(1,355,204)	(2,707,451)
Non cash items		
Depreciation of non-current assets	11,389	9,852
Loss on disposal of non-current asset	544	–
Share-based payment expense	126,000	52,694
Equity settled expenditure	10,184	80,500
Equity settled financial liabilities	–	1,000,000
Realised exchange losses on China recovery	–	557,875
Unrealised net foreign currency (gains) losses	–	118,502
Other	68,786	201,833
Changes in assets and liabilities		
Decrease (increase) in receivables	40,613	(32,593)
Decrease (increase) in prepayments and other current assets	3,099	10,201
(Decrease) increase in payables	(628,165)	(923,924)
(Decrease) increase in financial liabilities	(52,080)	(1,123,405)
(Decrease) increase in provisions	–	(58,635)
(Decrease) increase in taxation liabilities	–	(531)
Net cash provided by (used in) operating activities	(1,774,834)	(2,815,082)

Note 12: Trade and Other Receivables

	Note	Consolidated Group 2012 $	2011 $
Interest receivable		–	24,007
Other receivables	12a	–	5,331
Australian Taxation Office	12b	2,622	13,897
		2,622	43,235

12a. **Provision for impairment of receivables**

All amounts receivables that are neither past, due or impaired are with clients who have a good credit history based upon review of their credit status. No receivables balances are past, due or impaired balances at year end.

Current trade and term receivables are non-interest bearing loans and generally on 30-day terms. Trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired.

12b. **Australian Taxation Office**

This represents the amount due from the Australian Taxation Office in respect of GST.

Note 13: Other Financial Assets

	Note	Consolidated Group 2012 $	2011 $
CURRENT			
Financial assets at fair value through the profit and loss			
Opening balance		–	3,992,189
Amount repaid under terms of deed		–	(3,434,314)
		–	557,875
Realised foreign exchange gain (loss)		–	(557,875)
Net carrying amount		–	–

The deed with the SHRG vendors was not executed by all parties; notwithstanding, the vendors continued to make repayments in accordance with the deed terms. The final payment pursuant to the settlement deed was received in December 2010.

Note 14: Controlled Entities

a.

	Country of Incorporation	Percentage Owned (%)* 2012	Percentage Owned (%)* 2011
Subsidiaries of Agenix Limited:			
Agenix Biopharmaceutical (Shanghai) Company Limited	Peoples Republic of China	100	100
Agen Limited	Australia	100	100
Agen Biomedical Limited	Australia	100	100
Agen Inc.	United States	100	100

** Percentage of voting power is in proportion to ownership*

b. Pursuant to Class Order 98/1418 dated 5 May 1999, relief has been granted to all of the above controlled entities of Agenix Limited, which were incorporated in Australia ('closed group') from the *Corporations Act 2001* requirement for the preparation, audit and lodgement of their financial reports.

c. Agenix Limited and the controlled entities subject to the Class Order, being the closed group, have entered into a Deed of Cross Guarantee. The effect of the Deed is that Agenix Limited has guaranteed to pay any deficiency in the event of winding up of the controlled entities and the controlled entities have guaranteed to pay any deficiency in the event of the winding up of Agenix Limited. Agen Inc. and Agenix Biopharmaceutical (Shanghai) Company Limited are not subject to the Deed of Cross Guarantee.

	Closed Group Parties to Deed of Cross Guarantee 2012 $	Closed Group Parties to Deed of Cross Guarantee 2011 $
Financial information in relation to:		
i. Statement of Comprehensive Income		
Loss before income tax	(1,070,406)	(994,379)
Income tax expense	–	–
Loss after income tax	(1,070,406)	(994,379)
Losses attributable to members of the parent entity	(1,070,406)	(994,379)
Other comprehensive income	–	–
Total comprehensive income for the year	(1,070,406)	(994,379)
ii. Accumulated Losses		
Accumulated losses at the beginning of the year	(77,324,677)	(76,330,298)
Profit (Loss) after income tax	(1,070,406)	(994,379)
Accumulated losses at the end of the year	(78,395,083)	(77,324,677)

Note 14: Controlled Entities (continued)

	Closed Group Parties to Deed of Cross Guarantee	
	2012 $	2011 $
iii. Statement of Financial Position		
CURRENT ASSETS		
Cash and cash equivalents	41,216	1,854,609
Trade and other receivables	2,622	37,904
Prepayments	1,250	17,877
TOTAL CURRENT ASSETS	45,088	1,910,390
NON-CURRENT ASSETS		
Investment in subsidiary	422,020	–
Receivables	240,433	173,292
Property, plant and equipment	9,161	1,679
TOTAL NON-CURRENT ASSETS	671,614	174,971
TOTAL ASSETS	716,702	2,085,361
CURRENT LIABILITIES		
Trade and other payables	95,863	405,200
Financial liabilities	–	52,080
TOTAL CURRENT LIABILITIES	95,863	457,280
NON-CURRENT LIABILITIES		
Trade and other payables	–	273,021
TOTAL NON-CURRENT LIABILITIES	–	273,021
TOTAL LIABILITIES	95,863	730,301
NET ASSETS	620,839	1,355,060
EQUITY		
Issued capital	74,357,980	74,147,795
Share-based payment reserve	4,657,942	4,531,942
Accumulated losses	(78,395,083)	(77,324,677)
TOTAL EQUITY	620,839	1,355,060

Note 15: Property, Plant and Equipment

	Consolidated Group	
	2012 $	2011 $
Plant and equipment:		
At cost	66,763	51,947
Accumulated depreciation	(40,075)	(26,822)
	26,688	25,125

The useful life of assets for years 2012 and 2011 was estimated as follows:

Plant & Equipment over 2 to 5 years.

Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Note	Consolidated Group	
		2012 $	2011 $
Plant and equipment as at 1 July, net of accumulated depreciation and amortisation:		25,125	33,965
Additions		11,972	6,662
Depreciation	6	(11,389)	(9,852)
Loss on disposal		(544)	–
Effect of movement in exchange rate		1,524	(5,650)
Plant and equipment as at 30 June, net of accumulated depreciation and amortisation		26,688	25,125

Note 16: Intangible Assets

	Consolidated Group		
	AGX-1009 Contract	Development costs associated with AGX-1009	Total
	$	$	$
Net carrying amount 1 July 2010	–	–	–
Intangible assets related to AGX-1009 acquired from IMB at cost	720,357	–	720,357
Pre-clinical trial expenditure at cost		144,820	144,820
Net carrying amount at 30 June 2011	720,357	144,820	865,177
Effect of movement in exchange rates	51,534	10,360	61,894
Pre-clinical trial expenditure at cost	–	179,079	179,079
Net carrying amount at 30 June 2012	771,891	334,259	1,106,150

Note 16: Intangible Assets (continued)

In September 2010, Agenix Biopharmaceutical (Shanghai) Co. Limited entered into an exclusive agreement with the Institute of Medicinal Biotechnology (IMB) of the Chinese Academy of Medical Sciences in Beijing to purchase, develop and commercialise a patented, novel targeted prodrug analog of an existing compound Tenofovir (Agenix product candidate AGX-1009). IMB is the major state institution in China for the discovery and development of anti-infectious drugs. AGX-1009 is one of the drug candidates supported by the Chinese Government's State Special Funds for Important Newly Developed Drugs.

The total purchase price of AGX-1009 is RMB 17 million (equivalent to AUD 2.62 million using 30 June 2012 exchange rate ($2.45M: 2011 exchange rates). The purchase price is payable in instalments if performance milestones are achieved. As at 30 June 2012 instalments totalling RMB 5 million (AUD 771,891 at 2012 exchange rates (AUD 720,357: 2011 exchange rates) have been paid in accordance with the agreement.

In addition to the amount payable to IMB, Agenix has engaged various parties to undertake pre-clinical studies of AGX-1009. The amounts incurred to date are recorded at cost and adjusted for the prevailing exchange rate at year end. To date, Agenix is not aware of any information regarding the pre-clinical studies which have raised concerns with the efficacy of the product.

As the AGX-1009 assets were acquired in an arms-length transaction and the forecast revenues from the sale of AGX-1009 demonstrate the likely use of the assets, there is no indication of impairment as at 30 June 2012.

For the purpose of impairment testing, management assesses the carrying amount by comparison to its value based upon discounting future cash flows with the assistance of independent valuers. The carrying amount of AGX-1009 was determined to be less than its recoverable amount and therefore no impairment was necessary. The effective life can only be determined following pre-clinical trials which as at the date of this report have not been completed.

Note 17: Trade and Other Payables

	Note	Consolidated Group	
		2012 $	2011 $
Current			
Trade payables	i.	46,786	65,929
Sundry payables and accrued expenses	ii.	115,477	731,543
Accrued annual leave	iii.	7,044	–
		169,307	797,472

Terms and conditions relating to trade and other payables

i. Trade payables are non-interest bearing and are settled on normal commercial terms.

ii. Sundry payables and accrued expense are non-interest bearing and have an average term of 6 months.

iii. Accrued annual leave in respect of employees who hold a present entitlement.

Note 18: Financial Liabilities

	Note	Consolidated Group 2012 $	Consolidated Group 2011 $
CURRENT			
Interest-bearing loans – unsecured	(i)	–	52,080
		–	52,080

Terms and conditions relating financial liabilities

i. To assist the Company overcoming the difficulties faced as a result of the failed China investment an ex-employee agreed to convert part of his entitlements to a loan with the Company. The current loan carried an interest rate of 9%, was unsecured and payable at call. The Company repaid the loan by way of regular monthly instalments until it was satisfied in full during the financial year.

Note 19: Capital and Reserves

Share capital

	Consolidated Group 2012 $	Consolidated Group 2011 $
784,893,865 (2011: 747,331,576) ordinary shares	79,776,943	79,566,758
Less: 33,868,520 escrowed shares to SHRG vendors (Note 25)	(5,418,963)	(5,418,963)
751,025,345 (2011: 713,462,056) fully paid ordinary shares	74,357,980	74,147,795

Note 19: Capital and Reserves (continued)

The Company adopted a new replacement constitution at an extraordinary meeting of shareholders held on 17 April 2007. The constitution, in line with current corporations laws, does not require the Company to have an authorised amount of capital. Also, shares have no par value.

		Consolidated Group			
	Note	2012 $	2011 $	2012 No.	2011 No.
Ordinary shares					
At the beginning of reporting period		74,147,795	72,139,941	747,331,576	495,102,169
Issue of shares for services rendered		10,185	80,500	697,972	3,220,000
Share placements under the Fortrend fixed subscription agreement		200,000	–	27,864,312	–
Issue of shares to directors on exercise of rights		–	–	9,000,000	–
Issue of shares – exercise of options		–	–	5	–
Share placements under the Fortrend standby subscription agreement		–	120,252	–	6,185,255
Issue of shares in respect of rights issue and new share offer		–	805,602	–	32,224,152
Issue of shares in lieu of employee bonus		–	12,000	–	600,000
Issue of performance shares to employee		–	50,000	–	10,000,000
Costs of capital raisings		–	(60,500)	–	–
Issue of shares on conversion of notes	18	–	1,000,000	–	200,000,000
Balance as at 30 June		74,357,980	74,147,795	784,893,865	747,331,576

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Options

The following unlisted options were on issue as at 30 June 2012.

	Date issued	Expiry date	Vesting date	Number on issue	Exercise price $
Fortrend	1 November 2010	1 November 2013	1 November 2010	512,500	0.0198
Fortrend	22 November 2010	22 November 2013	22 November 2010	340,175	0.0206
Fortrend	24 December 2010	24 December 2013	24 December 2010	273,776	0.0195
Fortrend	1 April 2011	1 April 2014	1 April 2011	419,863	0.0180

Fortrend

The Company entered into a standby subscription agreement with Fortrend Securities Pty Limited (Fortrend) on 24 March 2010 for a period of three years which was approved by shareholders at the Annual General Meeting held on 27 August 2010. A condition in the agreement required the Company to complete four drawdowns in the first year. The options above were issued pursuant to the agreement. No drawdowns have been made under this facility during or since the end of the financial year.

On 23 April 2012 the Company entered into a fixed subscription agreement with Fortrend in its own right and as agent for a sophisticated investor. Under the terms of the agreement Fortrend will, subject to the conditions set out in the agreement and the listing rules, subscribe for Agenix shares up to the value of $1.2 million payable by way of 12 equal monthly instalments.

Capital management

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. This strategy is to try to ensure that the Group's gearing ratio remains between 0% and 60%. As a 30 June 2012 the Group gearing ratio was Nil (2011: Nil %).

Significant transactions after balance date

The Company has issued the following ordinary shares after balance date pursuant to the fixed subscription agreement with Fortrend Securities Pty Limited:

Date	Amount Received	Issue Price per Share	Number of Shares Issued
1 July 2012	$100,000	$0.0039	25,641,026
1 August 2012	$100,000	$0.0034	29,411,765

Other than the issue of ordinary shares there have been no significant transactions after Balance Date.

Reserves

Share-based payment reserve

The share-based payment reserve records items recognised as expenses on valuation of employee share options.

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of foreign-controlled subsidiaries.

Dividends

No dividend has been paid or proposed by the Company in relation to the year ended 30 June 2012 (2011: Nil).

Franking account balance

The consolidated tax group which consists of the parent entity and Australian subsidiaries has a franking account balance of $537,967 (2011: $537,967).

Note 20: Profit (Loss) per Share

Basic earnings per share
Basic earnings per share amounts are calculated by dividing the net profit (loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share
Diluted earnings per share amounts are calculated by dividing the net profit (loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all of the dilutive potential ordinary shares into ordinary shares (e.g. options).

Options granted are considered to be potential ordinary shares and have been assessed in the determination of diluted earnings per share. As the Group has incurred losses during the year, the options are not dilutive and have not been taken into account in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

The following income and share data has been used in the basic and diluted earnings per share computations:

	Consolidated Group	
	2012 $	2011 $
Profit (Loss) attributed to owners of Agenix Limited	(1,355,204)	(2,707,451)

	Consolidated Group	
Weighted Average Number of Shares	2012 No. of shares	2011 No. of shares
Weighted average number of ordinary shares used in calculations of basic and diluted earnings per share	756,347,094	677,112,746

Note 21: Capital and Leasing Commitments

Capital Commitments

	Consolidated Group 2012 $	2011 $
Plant and equipment	–	–

AGX-1009	**2012 $**	**2011 $**
Amounts in respect of AGX-1009 subject to achieving milestones and targets.		
Preclinical[1]		
Not longer than a year	308,756	426,726
Longer than 1 year but less than 5 years	–	–
Longer than 5 years	–	–
	308,756	426,726
IMB[2]		
Not longer than a year	154,378	144,071
Longer than 1 year but less than 5 years	1,698,160	1,584,786
Longer than 5 years	–	–
	1,852,538	1,728,857
	2,161,294	2,155,583

1. The amount represents the current contracted maximum commitment in order to facilitate the pre-clinical trials in respect of AGX-1009. The actual amount payable is determined by reference to achieving certain milestones and targets. The nature of research is such that the actual costs may vary and may be greater or lesser than those indicated. The above amount does not include the cost of clinical trials as no commitment to undertake the trials will occur until the results of the pre-clinical trials are complete.
2. The amount included as IMB represents the total amount payable pursuant to the contract outstanding at 30 June 2012 being RMB 12,000,000. The contract is subject to achieving milestones. If those milestones are not achieved then no further amount is payable pursuant to the contract. The nature of research is that it is inherent in its nature that it may take longer than anticipated and require further research; as a result the exact timing of the commitments is uncertain.

	Consolidated Group 2012 $	2011 $
Operating Lease Commitments		
Non-cancellable operating leases with an average remaining lease term of 10 months contracted for but not capitalised in the financial statements in respect of lease of land and buildings.		
Payable – minimum lease payments		
– not later than 12 months	9,517	38,051
– between 12 months and 5 years	–	–
– greater than 5 years	–	–
	9,517	38,051

Note 22: Contingent Liabilities and Contingent Assets

	Consolidated Group	
	2012 $	2011 $
Contingent Liabilities		
Estimates of the potential financial effect of contingent liabilities that may become payable:		
Subscription Deed Clauses The Company raised $5 million from a placement of 41,666,667 shares under a Subscription Deed on 18 March 2008. The Company has been requested to confirm that it is not in breach of certain warranties within the Deed, which the Company has confirmed. Although communication with the Subscriber indicates that no immediate action will be taken, should ultimately successful litigation be taken against the Company in respect of the Deed the Company may be required to repatriate the full subscription of $5 million.	5,000,000	5,000,000

The Directors are of the opinion that a provision is not required in respect of the above matter as it is not probable that a future sacrifice of economic benefits will be required.

Contingent assets

Potential claims in respect of China
The Company has completed initial recovery efforts in respect of the ill-executed 2007 acquisitions in China. The Board is cognisant of the actions of the previous Board and advisors in respect of the matter. The Board considered it prudent to concentrate on recovery of funds prior to actioning any legal claims. Any potential future claims concerning this issue would require the Company to prove its actual loss or damage.

Any extended discussion of the Company's position in relation to this are premature and in the Directors' opinion any further disclosure would not be in the best interest of the Group.

Note 23: Share-Based Payments

The following share-based payment arrangements existed at 30 June 2012:

At the 2010 Annual General Meeting held on 26 November 2010, shareholders approved the establishment of a new directors and executives equity plan known as the Corporate Equity Plan. Under the plan all directors, executives, staff and consultants approved by the board of the Group are eligible to be issued with options over the ordinary shares of Agenix Limited. Options are issued at the discretion of the Board at an exercise price determined by the Board having regard to the weighted average market price of the underlying securities and the individual particular circumstances of each grant. The options are issued for a maximum term of 6 years and have a maximum vesting period of 2 years from date of grant. Options granted for zero consideration are expressed as rights. Employees forfeit their options and rights if they cease employment with the Group prior to vesting. The options and rights cannot be transferred and are not quoted on the Australian Securities Exchange. Option and rights holders do not participate in any share issue of the Company or any other body corporate. They have no voting powers.

All options granted are exercisable into ordinary shares in Agenix Limited, which confer a right of one ordinary share for every option held.

	Consolidated Group			
	2012		2011	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the year	10,700,000	0.0621	10,700,000	0.0621
Granted	9,000,000	–	–	–
Exercised	(9,000,000)	–	–	–
Lapsed	(10,700,000)	0.0621	–	–
Outstanding at year-end	–	–	10,700,000	0.0621
Exercisable at year-end	–	–	700,000	0.1264

No options under the Corporate Equity Plan were outstanding at 30 June 2012.

Shareholders gave approval at the 2010 Annual General Meeting held on 26 November 2010 for the grant of 3,000,000 rights (zero priced options) to each of the non-executive directors. In addition, shareholders gave approval at the 2011 Annual General Meeting held on 31 October 2011 for the grant of 3,000,000 rights (zero priced options) to Nicholas Weston, Chairman and Chief Executive Officer.

All Rights were issued on 4 November 2011 and were exercised on that date. The Company issued 9,000,000 ordinary shares on 4 November 2011 in full satisfaction of the exercise of rights.

The following table lists the inputs to the option pricing model used for the years ended 30 June 2012 and 2011.

	30 June 2012	30 June 2011
Dividend yield %	Nil	Nil
Expected volatility %	58.75%	58.75%
Risk-free interest rate %	4.75%	4.75%
Expected life of options (years)	2.00	2.00
Option exercise price $	0.017	0.017
Weighted average share price $	0.017	0.017

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future trends, which may not eventuate.

The expected life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Options are normally granted to employees and consultants as part of their contract and are subject to the achievement of milestones and targets. The Company utilises the grant of options and rights to provide incentive to achieve milestones and targets whilst balance the need to minimise the cash burn of the Company. During the year all remaining employee options lapsed.

Note 24: Events after the Balance Date

No matters or circumstances, other than the continued use of the Fortrend Fixed Subscription facility, has arisen since the end of the financial year which, in the opinion of the Board, have significantly affected or may significantly affect the operations of Agenix Limited or the state of affairs of the Group in future financial years.

Note 25: Related Party Transactions

	Consolidated Group	
	2012 **$**	**2011** **$**
The ultimate parent entity is Agenix Limited		
Transactions with related parties:		
1. **Rent**		
Rental contribution paid to Mr N Weston for provision of office and all associated facilities pursuant to his contract of employment for an amount not exceeding $1,250 per calendar month plus GST.	15,000	15,000
2. **Interest Expense**		
Interest payable at 10% per annum to High Tech Computers Pty Limited as trustee of the High Tech Computers Superannuation Fund an entity related to Mr J Tong in respect of convertible notes subscribed for on 12 March 2010.	–	1,671
3. **Fees in Respect of China Recovery**		
Tang Wen Sen was appointed Chairman and authorised legal representative of Agenix Biopharmaceutical Shanghai Company Limited effective 1 September 2010. Prior to his appointment Tang Wen Sen was contracted to assist in the recovery in respect of the China settlement and was entitled to a fee of 7% of the amounts recovered in accordance with the contract.	–	255,159
4. **Issue of Shares**		
80,000,000 Ordinary Shares at an issue price of $0.005 cents issued to Tang Wen Sen in respect of conversion of notes approved by Shareholders and issued 10 August 2010 and 25 November 2010 in accordance with the terms and conditions of the notes.	–	400,000
20,000,000 Ordinary Shares at an issue price of $0.005 cents issued to High Tech Computers Pty Limited as trustee of the High Tech Computers Superannuation Fund an entity related to Mr J Tong in respect of conversion of notes approved by Shareholders and issued on 27 August 2010.	–	100,000
600,000 Ordinary Shares at an issue price of $0.02 cents issued to Mr J Tong in lieu of bonus approved by Shareholders and issued on 27 August 2010.	–	12,000
10,000,000 Ordinary Shares at an issue price of $Nil issued to Mr J Tong in respect of performance bonus and approved by Shareholders and issued on 1 April 2011.	–	50,000
Grant of 3,000,000 Rights (zero priced options) and subsequent conversion to Ordinary Shares to Mr N Weston.	42,000	–
Grant of 3,000,000 Rights (zero priced options) and subsequent conversion to Ordinary Shares to Mr C McNamara.	42,000	–
Grant of 3,000,000 Rights (zero priced options) and subsequent conversion to Ordinary Shares to Mr A Lee.	42,000	–
	126,000	562,000

Note 25: Related Party Transactions (continued)

Outstanding Balances

	Consolidated Group	
	2012 $	2011 $
The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:		
a. **Prepayments**		
Rental paid to Mr Weston for provision of office and all associated facilities pursuant to his contract of employment for an amount not exceeding $1,250 + GST per calendar month paid in advance for the month of July.	1,250	1,250
b. **Current payables**		
Amount due in respect of fees payable to Tang Wen Sen in relation to China recovery outlined above.	–	40,000

Loan to SHRG vendors

Loan to SHRG vendors is for the acquisition of 33,868,520 ordinary shares which are escrowed as detailed in Note 19. Interest of 8% per annum is chargeable on the outstanding balance. The loan is repayable in full upon sale of the shares. The Company is required to pay the net proceeds after netting off the amount of the shareholder loan plus accrued interest to the date of sale outstanding in relation to those shares to the shareholder. This loan has not been recorded in the statement of financial position as the loan and issue of shares related to the original 2007 China acquisition. Based upon the closing share price as at 30 June 2012 the value of the shares, being the underlying security, amounted to $135,474. The Group is reserving its position on what action may be undertaken to extinguish the loan and cancel or buy back the shares without any significant cost to the Group.

	Consolidated Group	
	2012 $	2011 $
Balance at beginning of year	5,418,963	5,418,963
Net advances/repayments	–	–
Balance at end of year	5,418,963	5,418,963

Transactions with key management personnel

Details of key management personnel compensation are disclosed in the Remuneration Report which forms part of the Directors' Report. Refer to Note 26 to the financial statements for a summary.

Note 26: Key Management Personnel Disclosure

Total compensation for all key management personnel including executive directors, non-executive directors and other key management personnel:

Key Management Personnel (KMP) Compensation

	Consolidated Group	
	2012 $	2011 $
Short-term employment benefits	683,066	670,193
Post employment benefits	75,693	44,585
Share-based payments	126,000	52,694
	884,759	767,472

Information regarding individual directors and executives, compensation as required by Corporations Regulation 2M.3.03 is provided in the Remuneration Report which forms part of the Directors' Report.

Apart from the details disclosed below, no KMP has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving KMP interests existing at year end.

Material Contracts with Key Management Personnel

	Consolidated Group	
	2012 $	2011 $
Tang Wen Sen was appointed Chairman and authorised legal representative of Agenix Biopharmaceutical (Shanghai) Company Limited effective 1 September 2010. Prior to his appointment Tang Wen Sen was contracted to assist in the recovery in respect of the China settlement and was entitled to a fee of 7% of the amounts recovered in accordance with the contract.	–	255,159
Amount owing at 30 June		
Amount owing at 30 June in terms of the contract	–	40,000

Key Management Personnel Option and Rights Holding

The number of options over ordinary shares held by each KMP of the Group during the financial year is as follows:

	Balance at beginning of year	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Balance at end of year	Vested at end of the year	Vested and exercisable	Vested and unexercisable
2012								
N Weston	10,057,840	3,000,000	(3,000,000)	(10,057,840)	–	–	–	–
C McNamara	26,391	3,000,000	(3,000,000)	(26,391)	–	–	–	–
A Lee	64,056	3,000,000	(3,000,000)	(64,056)	–	–	–	–
J Tong	500,000	–	–	(500,000)	–	–	–	–
	10,648,287	9,000,000	(9,000,000)	(10,648,287)	–	–	–	–
2011								
N Weston	10,000,000	–	–	57,840	10,057,840	10,057,840	57,840	10,000,000
C McNamara	8,333	–	–	18,058	26,391	26,391	26,391	–
A Lee	291,666	–	–	(227,610)	64,056	64,056	64,056	–
J Tong	500,000	–	–	–	500,000	500,000	500,000	–
	10,799,999	–	–	(151,712)	10,648,287	10,648,287	648,287	10,000,000

Other than stated above no other KMP held options over ordinary shares.

Shareholding of Key Management Personnel

	Balance at beginning of year	Granted as remuneration during the year	Shares issued on exercise of options during the year	Other changes during the year (net)	Balance at end of year
2012					
N Weston	4,239,642	–	3,000,000	–	7,239,642
C McNamara	2,094,455	–	3,000,000	–	5,094,455
A Lee	4,695,279	–	3,000,000	–	7,695,279
Tang Wen Sen	91,493,047	–	–	(9,999,999)	81,493,048
J Tong[1]	10,600,000	–	–	(10,600,000)	–
	113,122,423	–	9,000,000	(20,599,999)	101,522,424
2011					
N Weston	3,950,444	–	–	289,198	4,239,642
C McNamara	1,962,500	–	–	131,955	2,094,455
A Lee	4,375,000	–	–	320,279	4,695,279
Tang Wen Sen[2]	–	–	–	91,493,047	91,493,047
J Tong	–	10,600,000	–	–	10,600,000
	10,287,944	10,600,000	–	92,234,479	113,122,423

1. John Tong ceased to be part of Key Management Personnel during the year.
2. Tang Wen Sen held 11,493,047 shares at the time of his appointment and converted notes for a further 80,000,000 shares during the year ended 30 June 2011.

Shareholders gave approval at the 2010 Annual General Meeting held on 26 November 2010 for the grant of 3,000,000 rights (zero priced options) to each of the non-executive directors. In addition, shareholders gave approval at the 2011 Annual General Meeting held on 31 October 2011 for the grant of 3,000,000 rights (zero priced options) to Nicholas Weston, Chairman and Chief Executive Officer.

All Rights were issued on 4 November 2011 and were exercised on that date. The Company issued 9,000,000 Ordinary Shares on 4 November 2011 in full satisfaction of the exercise of rights.

Other than stated above no other KMP hold ordinary shares.

Note 27: Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, trade and other receivables and payables, other financial assets and borrowings.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	Consolidated Group	
		2012 $	2011 $
Financial Assets			
Cash and cash equivalents	11	56,323	1,884,584
Trade and other receivables	12	2,622	43,235
		58,945	1,927,819
Financial Liabilities			
Financial liabilities at amortised cost			
– Trade and other payables	17	169,307	797,472
– Financial liabilities	18	–	52,080
		169,307	849,552

Financial Risk Management Policies

The directors monitor and manage financial risk exposures of the Group. They also review the effectiveness of internal controls relating to market risk.

The directors' overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on financial performance. Their functions include the review of the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are market risks including interest rate risk, foreign currency risk, liquidity risk and credit risk.

a. **Interest rate risk**

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

Interest rate risk is managed using a mix of fixed and floating rate debt. At 30 June 2012 the Group had no debt which was subject to floating rates. The Company had fixed rate debt which was repaid during the year. The details are set out below:

	Note	Consolidated Group	
		2012 $	2011 $
Fixed rate instruments			
Unsecured loans at call	18	–	52,080
		–	52,080

b. **Liquidity risk**

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities;
- using derivatives that are only traded in highly liquid markets;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- investing only in surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The Group's policy is to ensure no more than 50% of borrowings should mature in any 12-month period.

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that foreign currency banking facilities will be rolled forward.

Trade and other payables are due and payable within 30 days.

The following tables reflect an undiscounted contractual maturity analysis for financial liabilities.

Consolidated Group	Carrying Amount		Within 1 Year	
	2012 $	**2011** $	**2012** $	**2011** $
Financial liabilities due for payment				
Trade and other payables	169,307	797,472	169,307	797,472
Financial liabilities	–	52,080	–	52,080
Total expected outflows	169,307	849,552	169,307	849,552

	Exceeding 1 Year		Total	
	2012 $	**2011** $	**2012** $	**2011** $
Financial liabilities due for payment				
Trade and other payables	–	–	169,307	797,472
Financial liabilities due for payment	–	–	–	52,080
Total expected outflows	–	–	169,307	849,552

Note 27: Financial Risk Management (continued)

c. **Foreign exchange risk**

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

With instruments being held by overseas operations, fluctuations in US Dollar and China RMB may impact on the Group's financial results unless those exposures are appropriately hedged.

The following table shows the foreign currency risk on the financial assets and liabilities of the Group's operations at 30 June 2012.

2012	**Net financial assets/(liabilities) expressed in AUD $**			
	AUD	**USD**	**RMB**	**Total AUD**
Functional currency of group entity				
Australian Dollar	(58,365)	–	–	(58,365)
US Dollar	–	(1,944)	–	(1,944)
Chinese RMB	–	–	(50,053)	(50,053)
Statement of Financial Position exposure	(58,365)	(1,944)	(50,053)	(110,362)

2011	**Net financial assets/(liabilities) in AUD $**			
	AUD	**USD**	**RMB**	**Total AUD**
Functional currency of group entity				
Australian Dollar	1,440,564	–	–	1,440,564
US Dollar	–	(249)	–	(249)
Chinese RMB	–	–	(362,048)	(362,048)
Statement of Financial Position exposure	1,440,564	(249)	(362,048)	1,078,267

Forward exchange contracts

The Group has no open forward exchange contracts at balance date (2011: Nil).

d. **Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counter parties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counter parties), ensuring to the extent possible, that customers and counter parties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Depending on the division within the Group, credit terms are generally 30 to 60 days from the invoice date.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that the Board has otherwise cleared as being financially sound. Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counter party, then risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

Credit Risk Exposures

The maximum exposure to credit risk by class of recognised financial assets at balance date, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the Statement of Financial Position.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed at Note 12.

The Group's exposure to credit risk for loans and receivables by geographical region is:

	Note	Consolidated Group	
		2012 **$**	**2011** **$**
Australia		2,622	37,904
Peoples Republic of China		–	5,331
	12	2,622	43,235

Credit risk related to balances with banks and other financial institutions is managed by the CEO in accordance with approved Board policy. Such policy requires that surplus funds are only invested with counter parties with a Standard & Poor's rating of at least B+. The following table provides information regarding credit risk relating to cash based on Standard & Poor's counter party credit ratings.

	Note	Consolidated Group	
		2012 **$**	**2011** **$**
Cash and cash equivalents			
– A+		56,323	1,884,584
	11	56,323	1,884,584

e. **Price risk**

The Group is not exposed to any significant other price risk.

Fair values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the Statement of Financial Position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgement, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgement and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Differences between fair values and carrying values of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Group. Most of these instruments which are carried at amortised cost (i.e. term receivables, held-to-maturity assets and loan liabilities) are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the Group.

Note 27: Financial Risk Management (continued)

		Consolidated Group			
		2012		2011	
	Footnote	Carrying Value $	Fair Value $	Carrying Value $	Fair Value $
Financial assets					
Cash and cash equivalents	(i)	56,323	56,323	1,884,584	1,884,584
Trade and other receivables	(i)	2,622	2,622	43,235	43,235
Total financial assets		58,945	58,945	1,927,819	1,927,819
Financial liabilities					
Trade and other payables	(i)	169,307	169,307	797,472	797,472
Financial liabilities	(ii)	–	–	52,080	52,080
Total financial liabilities		169,307	169,307	849,552	849,552

The fair values disclosed in the preceding table have been determined based on the following methodologies:

(i) Cash and cash equivalents, trade and other receivables, trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value.

(ii) Discounted cash flow models are used to determine the fair values of loans and advances. Discount rates used on the calculations are based on interest rates existing at reporting date for similar types of loans and advances. Differences between fair values and carrying values largely represent movements of the effective interest rate determined on initial recognition and current market rates.

Sensitivity analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates and exchange rates. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables. The Company had no debt or liabilities due after one year at 30 June 2012 and therefore is not subject to changes in interest rates.

Year Ended 30 June 2012	Consolidated Group	
	Profit $	Equity $
+/-2% in interest rates	–	–
+/-10% in $A/$RMB	+/-31,457	+/-120,174

Year Ended 30 June 2011	Consolidated Group	
	Profit $	Equity $
+/-2% in interest rates	+/-10,368	+10,368
+/-10% in $A/$RMB	+/-78,506	+/-78,506

Key Foreign Exchange Rates

The key foreign exchange rates during the year were as follows:

	USD	RMB
Rate as at:		
1 July 2011	1.0739	6.9410
31 December 2011	1.0156	6.4096
30 June 2012	1.0191	6.4776

Note 28: Company Details

The registered office and principal place of business of the Company is:

Agenix Limited, Ground Floor, 156 Collins Street, Melbourne Australia.

Tel: +61 (0)3 8616 0379
Fax: +61(0)3 8616 0382

Email: info@agenix.com
Website: www.agenix.com

Directors' Declaration

1. In the opinion of the directors of Agenix Limited (the 'Company'):
   a. the consolidated financial statements and notes that are set out on pages 28 to 69, and the Remuneration Report set out on pages 14 to 18, 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 2012 and its performance for the financial year ended on that date; and
      (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
   b. There are reasonable grounds to believe that the Company 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 chief executive officer and chief financial officer for the financial year ended 30 June 2012.
3. The directors draw attention to Note 2 a. to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

As disclosed in Note 14 Agenix Limited and the controlled entities subject to the Class Order ('closed group') have entered into a Deed of Cross Guarantee. The effect of the Deed is that Agenix Limited has guaranteed to pay any deficiency in the event of the winding up of the controlled entities and the controlled entities have guaranteed to pay any deficiency in the event of winding up of Agenix Limited. Agen Inc and Agenix Biopharmaceutical (Shanghai) Company Limited are not subject to the Deed of Cross Guarantee.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become subject to by virtue of the deed.

Signed in accordance with a resolution of the directors.

Nick Weston

Nicholas Weston
Director

Dated this 29th day of August 2012, Melbourne

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GPO Box 457 Brisbane QLD 4001
Australia

INDEPENDENT AUDIT REPORT

To the Members of Agenix Limited

Report on the Financial Report

We have audited the accompanying financial report of Agenix Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity 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 give a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 company'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 company'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 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*. We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of Agenix Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

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

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

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

Emphasis of Matter

Without qualifying our opinion expressed above, we draw attention to Note 3 in the financial report. Note 3 deals with the consolidated entity's ability to continue as a going concern. The consolidated entity incurred a loss of $1,355,204 during the year ended 30 June 2012 (2011: Loss of $2,707,451). In order to continue as a going concern and to meet the requirements of future expenditure, the entity requires support from current and future investors and the successful development and commercialisation of its current products being developed. These conditions, along with other matters set forth in Note 3, indicate the existence of a material uncertainty that casts significant doubt as to the consolidated entity's ability to continue as a going concern and therefore whether they will be able to pay their debts as and when they fall due, and realise their assets and extinguish their liabilities in the normal course of business at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. 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 Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Agenix Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd

PA Gallagher

Director

Brisbane, 29 August 2012

Additional Information

The following information is required by ASX Limited in respect of listed public companies only and is not shown elsewhere in this report. The information is current as at the close of business 27 August 2012.

Distribution of shareholders holding ordinary shares

Size of holding	Number
1 – 1,000	173
1,001 – 5,000	982
5,001 – 10,000	679
10,001 – 100,000	1,352
100,000 and above	464
Total	3,650

Marketable parcels

The number of shareholdings held in less than marketable parcels is 3,309.

Substantial shareholders

The names of the substantial shareholders listed in the holding company's register as at 27 August 2012 are:

Shareholder	Number of ordinary shares
Annmac Investments Pty Limited <Anne McNamara Invest A/C>	135,807,376
Mr Tang Wen Sen	70,000,001

Voting rights

The voting rights attached to each class of equity security are as follows:

Ordinary Shares – each ordinary share is entitled to one vote when a pole is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Company secretary

The name of the company secretary is Mr Gary Taylor.

Registered office

The address of the principal and registered office in Australia is Ground Floor, 156 Collins Street, Melbourne VIC 3000.
Telephone +61 (0)3 8616 0379.

Share register

The register of securities is held at:

Advanced Share Registry Limited
150 Stirling Highway, Nedlands WA 6009 Australia.

Securities exchange listing

The Company is listed on the Australian Securities Exchange (ASX). The home exchange is Melbourne Australia.

20 Largest shareholders – fully paid ordinary shares

Name		Number	%
1	Annmac Investments Pty Limited <Anne McNamara Invest A/C>	100,000,000	11.906
2	Mr Tang Wen Sen	70,000,001	8.334
3	OKS AGX Inc.	41,666,666	4.961
4	HSBC Custody Nominees (Australia) Limited – A/C 2	38,412,446	4.573
5	Annmac Investment Pty Ltd <The Anne McNamara Invest A/c>	35,907,376	4.275
6	Pacific Superannuation Pty Ltd	35,627,034	4.242
7	W & Z Holdings Company Ltd	33,868,520	4.032
8	Sino Sky Holdings Ltd	31,418,630	3.741
9	Citicorp Nominees Pty Lted	29,505,701	3.513
10	DSA Superannuation Nominees Pty Ltd <DSA Super Fund A/C>	13,000,000	1.548
11	Merrill Lynch (Australia) Nominees Pty limited	12,746,000	1.517
12	F H Nominees Pty Limited	12,000,000	1.429
13	High Tech Computers Pty Ltd <High Tech Computers A/C>	10,000,000	1.191
14	Annmac Investments Pty Ltd	9,250,000	1.101
15	Mr Stephen Phua	8,084,774	0.963
16	Mr Anthony Lee Vui Han	7,695,279	0.916
17	Mr Nicholas Weston	7,239,642	0.862
18	Mr David John Lauritz & Mrs Deborah Madge Lauritz <Lauritz Super Fund A/C>	6,989,912	0.832
19	Mr Donald McKenzie & Mr David McKenzie & Mr Gary McKenzie <McKenzie Family S/F A/C>	6,326,940	0.753
20	Asiaeagle International Ltd	6,171,875	0.735
Total		523,929,684	61.422

Quoted Options

No quoted options were on issue as at the date of this report.

Unquoted Securities

Options over unissued ordinary shares

1,546,314 unquoted options issued to Fortrend Securities Pty Limited. Refer Note 19 of the Financial Statements.

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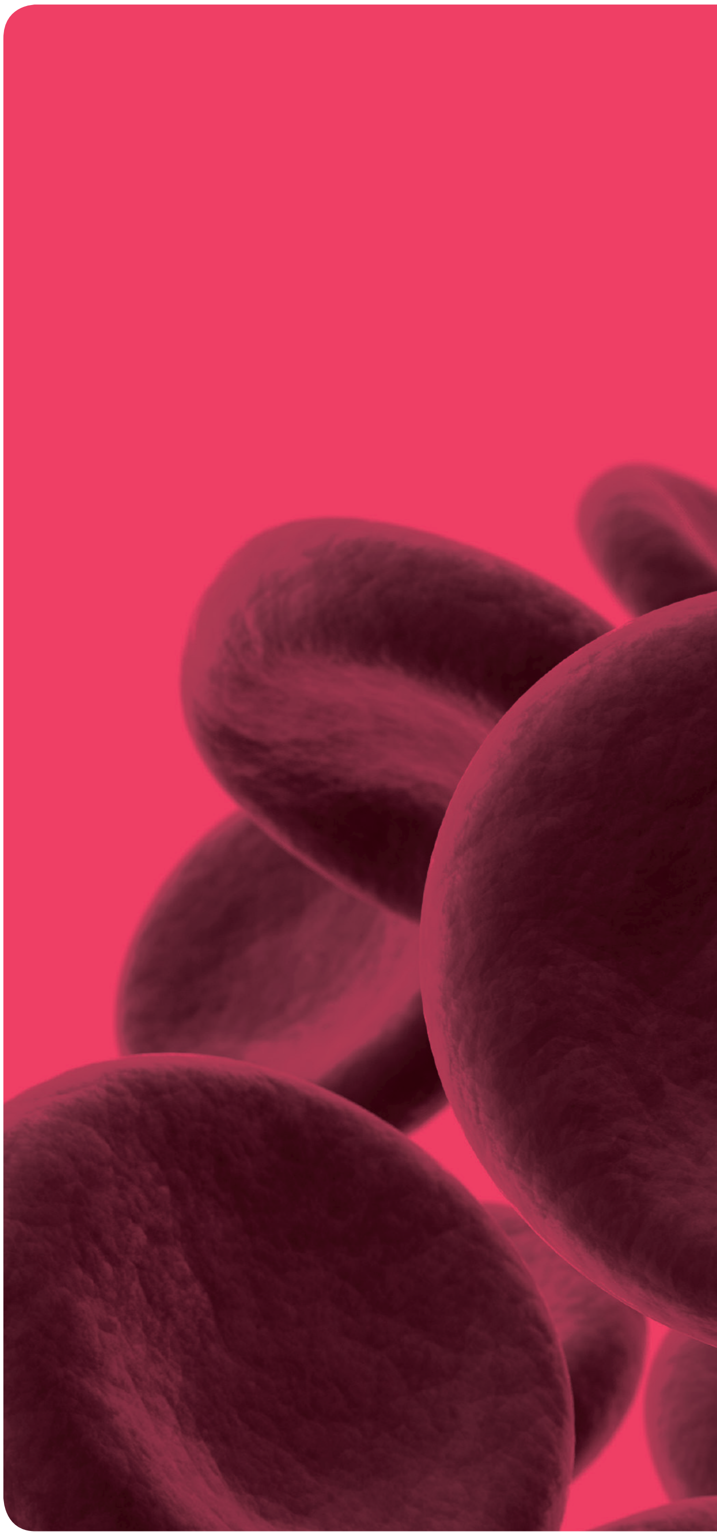

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