

**A V E X A**

Avexa Limited
ABN 53 108 150 750
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Victoria Australia 3121

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Website www.avexa.com.au

ASX Release

Avexa reports half year results for December 2010

Melbourne, Australia, 24 February 2011: Avexa Limited (ASX:AVX) today released its half year results to 31 December 2010.

Financial summary

Avexa recorded a net loss of \$2.6 million for the half year ended 31 December 2010, which was 71% below the \$9.2 million loss in the previous corresponding half year. Expenditure on direct research and development, associated with ATC and Avexa's early stage programs, was \$0.16 million, compared to \$4.9 million in the prior corresponding period. This reduction reflects the closure of various programs and the reduction in staff which is in line with the Company's objectives of reducing unnecessary expenditure and prudently managing its cash reserves

There were no equity movements for the period.

At 31 December 2010 the Company reports a net asset position of \$21.8 million and a cash balance of \$20.4 million.

Proposed Issue of Options to Directors

The Directors have resolved, subject to shareholder approval at its next general meeting, to issue 6,000,000 unlisted share options to Directors to acquire ordinary shares in the Company as follows:

Director	No of Options
Mr Joe Bains	2,000,000
Mr Jet Soedirdja	1,000,000
Mr Bruce Hewett	1,000,000
Mr Iain Kirkwood	1,000,000
Mr Allan Tan	1,000,000

The grant of Options is designed to provide a performance incentive for the recipients and to better align the objectives of the board with those of the shareholders. The Directors believe that the proposed issue provides an appropriate incentive to the directors without increasing the directors' remuneration pool which is appropriate for the Company of this size and at this stage of development.

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The details of this proposed issue are as follows:

Class of securities to be issued:	Ordinary share options
Number of securities to be issued:	6,000,000
Exercise price:	\$0.06 each
Vesting conditions:	Options only vest once the Avexa share price (calculated over a 5 day VWAP) equals or exceeds \$0.125 cents
Options expire:	31 December 2012
Purpose of issue:	As a performance incentive and value recognition
Shareholder approval:	To be sought at the next general meeting

Allied Medical Update

On 11 November 2010 Avexa announced that it had agreed to make a strategic investment in Allied Medical Limited, an unlisted public medical device and biotechnology company. Allied Medical is a medical technologies group with a significant interest in Coridon Pty Ltd, a vaccines-focused research and development company started by Professor Ian Frazer.

Avexa has now invested a total of \$1.5 million (paid in two equal tranches) in Allied Medical. The first tranche was paid on 11 November 2010 and the second, on 15 February 2011, was triggered as a consequence of Allied Medical's decision to list on the ASX via a reverse takeover through bioMD Limited (ASX: BOD). Details of this transaction were announced to the market by bioMD Limited on 15 February 2010. The reverse takeover process remains subject to various conditions, including BOD shareholder approval.

End

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About Avexa Limited: Avexa Limited is a Melbourne-based biotechnology company with a focus on discovery, development and commercialisation of small molecules for the treatment of infectious diseases. Avexa's key projects include apricitabine (ATC) for the treatment of drug-resistant HIV, an HIV integrase program and an antibiotic program for antibiotic-resistant bacterial infections.

For more information:

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Appendix 4D

Half year report **Period ending 31 December 2010**

Results for announcement to the market

Operating performance:	
Revenue from ordinary activities	Up \$151,000 (23%) to \$815,000
Profit / (loss) from ordinary activities after tax attributable to members	Loss decreased by \$6,520,000 (71%) to \$2,639,000.
Net profit / (loss) for the period attributable to members	Loss decreased by \$6,520,000 (71%) to \$2,639,000.
Dividends	
It is not proposed to pay dividends. There are no dividend or distribution reinvestment plans in operation and there has been no dividend or distribution payments during the financial half year ended 31 December 2010. No explanation considered necessary other than as provided within this report and in the Directors' Report for the half year ended 31 December 2010.	

Net tangible assets per ordinary security	Current period	Previous corresponding period to 31/12/09
Net tangible assets	21,782 in \$A'000	30,717 in \$A'000
Net assets	21,782 in \$A'000	56,479 in \$A'000
Issued share capital at reporting date	182,523 in \$A'000	182,501 in A'000
Number of shares on issue at reporting date	847,688,779	847,517,349
Net tangible assets per ordinary security	2.6 Cents	3.6 Cents
Net assets per ordinary security	2.6 cents	6.7 cents

Acquisitions and divestments

There have been no entities over which control has been gained or lost during the period ended 31 December 2010.

Associates and joint ventures

There are no equity accounted associates and joint venture entities.

Accounting Standards

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

Auditors review report

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

AVEXA LIMITED ABN 53 108 150 750

The directors present their report on Avexa Limited (the 'Company') for the six months ended 31 December 2010 and the review report thereon.

Directors

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

Name and independence status	Period of office and special responsibilities
Mr J Bains Chairman and Independent Non-Executive Director	Independent non-executive director and Chairman from 7 July 2010.
Mr B Hewett Independent Non-Executive Director	Independent non-executive director and Chair of the Remuneration and Nomination Committee from 6 July 2010.
Mr I Kirkwood Independent Non-Executive Director	Independent non-executive director and Chair of the Audit Committee from 9 August 2010.
Mr J Soerdirdja Independent Non-Executive Director	Independent non-executive director from 12 July 2010
Mr A Tan Independent Non-Executive Director	Independent non-executive director from 1 December 2010

Mr S Crowley was appointed a non-executive director on 6 July 2010 and was an Independent Non-Executive Director until his resignation on 5 November 2010.

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

Mr N Drona was Chairman and Independent Non-Executive Director until 6 July 2010.

Mr D Bottomley was an Independent Non-Executive Director, a member of the Remuneration and Nomination Committee and Chair of the Audit Committee until his resignation on 7 July 2010.

Mr U Ratner was an Independent Non-Executive Director and Chairman of the Remuneration and Nomination Committee from 19 May 2010 until 6 July 2010.

The relevant interest of each director in the share capital of the Company, as notified by the Company to the ASX in accordance with S205G(1) of the Corporations Act 2001, as at the date of this report is as shown following.

Director	Number of ordinary shares	Number of options to acquire ordinary shares
Mr J Bains	200,000	-
Mr B Hewett	100,000	-
Mr I Kirkwood	400,000	-
Mr H Soerdirdja	825,715	-
Mr A Tan	-	-

Review of operations

The principal activity of the Company is the development and commercialisation of anti-infective pharmaceutical programs and projects.

The Company has recorded a loss of \$2.6 million for the six months to 31 December 2010 (31 December 2009: \$9.2 million). Avexa's operating cash consumption for the six months was \$3.2 million (31 December 2009: \$8.9 million) and reported closing cash resources of \$20.4 million at 31 December 2010 (31 December 2009: \$33.4 million).

AVEXA LIMITED ABN 53 108 150 750

There was a significant reduction in operating expenses from \$9.4 million to \$3.3 million compared with the same period last year. This reduction reflects the closure of various programs and the reduction in staff which is in line with the Company's objectives of reducing unnecessary expenditure and prudently managing its cash reserves.

Legal and Professional Services expenses incurred during the reporting period were unusually high, due primarily to the costs associated with convening and holding two shareholder requisitioned general meetings, assessing external commercialisation and other opportunities and the costs associated with an independent review of Avexa's assets, programs and other commercialisation activities. These expenses were extraordinary and, as previously foreshadowed, the spend was substantially reduced in the second half of the reporting period.

On 14 July 2010 Avexa announced that it had entered into a licence agreement with the Shanghai Institute of Organic Chemistry (SIOC) to develop one of Avexa's HIV integrase inhibitor series. Under the terms and conditions of the licence SIOC will be responsible for all future development costs for the program in China and will pay Avexa 50% of any net commercialisation revenues. Avexa retains all development and marketing rights for the program outside the China region.

This series of molecules has shown a high level of potency similar to the existing HIV integrase inhibitors on the market or in development. The synthesis of this series of molecules is relatively simple and provides opportunities in the Chinese market on a cost of goods basis.

On 2 September 2010 Avexa announced that it had engaged The Bioadvisory Group Pty Ltd to undertake an independent review of the company's programs. The Bioadvisory Group is a corporate advisory firm that specialises in biotechnology commercialisation. The review was led by The Bioadvisory Group's Managing Director John Grew, who has more than 30 years experience in technology commercialisation and providing advice on operational improvement, market analysis and strategic reviews for companies in the life sciences sector.

The findings of the independent expert's evaluation can be summarised as follows:

- Apricitabine (ATC) program – Approach US Food and Drug Administration (FDA) with new trial design, and then approach partners assuming a positive response from FDA. If partners provide a positive response then proceed to Phase III trials. If partners are not positive, then do not proceed with ATC program unless support from a charitable organization.
- Hepatitis C Virus (HCV) program – No further spend recommended.
- Antibiotic program – Recommended pursuing a licensing arrangement with a company with expertise in the antibiotic field.
- HIV Integrase program – Recommended that the program continue for a further 12 months to identify a preclinical candidate.

On 11 November 2010 Avexa announced that it had agreed to make a strategic investment in Allied Medical Limited, an unlisted public medical device and biotechnology company. Allied Medical is a medical technologies group with a significant interest in Coridon Pty Ltd, a vaccines-focused research and development company started by Professor Ian Frazer. The majority of the funds raised from Avexa's investment in Allied Medical will be used to pursue the Coridon technology. Avexa has now invested a total of \$1.5 million (paid in two equal tranches) in Allied Medical. The first tranche, \$750,000, was paid 11 November 2010 and the second tranche was paid on 15 February 2011 as a consequence of Allied Medical's agreement to list on the ASX via a reverse takeover process with bioMD Limited (details of which were announced to the market by bioMD Limited on 15 February 2010).

On 18 November 2010 Avexa's board announced that it has entered into a license agreement with private Swiss drug development company Valevia Pharmaceuticals GmbH which could yield revenues of up to \$US65 million in milestone payments and royalties. Under the terms and conditions of the agreement Valevia will fund all future development of Avexa's preclinical antibacterial drug program while Avexa will initially retain control of managing the intellectual property. The licence covers the entire Avexa antibacterial portfolio. Avexa is entitled to receive up to US\$65 million plus royalties upon achievement of significant clinical development and commercial milestones for the lead program. In the event other compounds covered by Avexa's intellectual property are developed by Valevia, Avexa would be entitled to additional milestone and royalty payments. Avexa's lead molecule AVX13616 has been selected for pre-clinical testing. Studies of AVX13616 have shown

AVEXA LIMITED ABN 53 108 150 750

it possesses good antibacterial activity against various strains of *Clostridium difficile* and against mupirocin-resistant strains of *Staphylococcus aureus*. This compound and others are the result of a long standing collaboration with the University of Wollongong, NSW.

Valevia has extensive experience and understanding of developing antibacterial drugs. The company was established by experienced drug-developers who have previously worked at large pharmaceutical companies with a track record of developing quality antibacterial agents. It is supported by an advisory board composed of international leaders in the field. Moreover, Valevia has established relationships with research institutes to leverage their existing capital and progress their program in world class centres.

Resistance to antibiotics has become a significant clinical issue worldwide and is a phenomenon that has continued to increase over the years, especially in hospitals. Any development of drugs that are active against a range of microorganisms resistant to antibiotics would be a landmark achievement.

Avexa's portfolio at 31 December 2010 comprised the following projects.

Apricitabine (ATC)

The data analysis of the first part of the global phase 2b/3 clinical trial of ATC was completed. This showed that the 800mg ATC dose was the optimum dose. ATC also showed good efficacy and safety when used in combination with the newer drugs which have recently been approved. These results enable the design of a further study to confirm ATC's activity in this setting, which mirrors the expected clinical use of ATC. The number of people successfully treated with ATC for at least 24 weeks was increased more than four times, which expands the knowledge of the safety and tolerability of ATC. The primary focus of the program over the last 6 months has been to design a new clinical trial paradigm for discussion with the FDA in early 2011.

There remains an unmet medical need for HIV drugs targeting resistance. ATC is such a program and has many positive attributes including:

- Safety: ATC has a very clean safety profile in all clinical studies to date.
- Anti-HIV advantage: ATC targets both wild-type and drug-resistant HIV virus. This has been clearly demonstrated in the Phase IIa and IIb clinical trials.
- Specificity: It is HIV specific, i.e. it has no activity against other non-retroviruses and so would compliment anti-HBV or HCV agents in co-infected patients.
- High genetic barrier: ATC has a strong resistance profile, with no ATC-resistance seen to date in any study, including dosing patients over a 96 week period.
- Dosing: It is currently 800mg, B.I.D. but the 600mg and 800mg showed no difference in activity over a 24 week dosing period, therefore suggesting potential for a lower dose if required for a fixed dose combination product.
- CD4 cell benefit: ATC increased the CD4 cell counts of treated patients above that seen with patients treated with optimized background containing 3TC.
- Disease progression: ATC appears to slow the disease progression of HIV in patients over the standard of care as well as decreasing the rate of re-optimizations for patients suggesting that ATC has a 'protective' profile for other HIV drugs with less robust resistance profiles in a multi-drug treatment regimen.
- A strong patent portfolio covering the product, method of use and manufacturing until 2027.

AVEXA LIMITED ABN 53 108 150 750

Drug discovery***HIV Integrase***

Since the approval of Merck's raltegravir, which targets HIV integrase, in late 2007 this drug has been widely prescribed and has demonstrated itself to be a most effective therapy for HIV infections in combination with an optimised background regimen. This not only validates HIV integrase clinically but also commercially. In 2010 Merck's integrase inhibitor, marketed as Isentress® generated global revenues of around US\$1Bn. In clinical practice, resistance to, the twice daily dosed, raltegravir has emerged relatively frequently and can be correlated to clinical failure. Elvitegravir (Gilead Sciences), the next most advanced integrase inhibitor is itself cross-resistant to raltegravir. ViiV the HIV drug company, newly spun out of GSK, has another integrase inhibitor in Phase II trials.

Avexa has discovered a number of novel compound classes with activity superior to raltegravir against wild type HIV-1. Moreover, these compounds are highly potent against raltegravir- and elvitegravir-resistant viruses. The Avexa compound classes also possess properties that suggest that once a day oral dosing regime is likely. In accordance with the findings of the independent expert review these compounds are being further optimised to identify a preclinical candidate for development.

Post Balance Date Events

The Company subscribed for a second tranche of shares in Allied Medical Ltd on 15 February 2011 for a subscription sum of \$750,000 pursuant to an existing contractual obligation owed to Allied Medical Ltd. The subscription obligation was triggered as a consequence of Allied Medical's decision to list on the ASX via a reverse takeover process through bioMD Ltd (details of which were announced to the ASX on 15 February 2011). This contractual obligation had been fully provided for in the Company's statement of financial position as at 31 December 2010.

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

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

The lead auditor's independence declaration forms part of the Directors' Report for the six months ended 31 December 2010 and is set out on page 5 of this report.

Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Melbourne this 24th day of February 2011.

Signed in accordance with a resolution of the directors.



Mr J Bains
Chairman



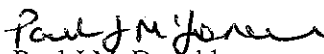
Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Avexa Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG
KPMG


Paul J McDonald
Partner

Melbourne

24 February 2011

AVEXA LIMITED ABN 53 108 150 750

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

	Note	31 December 2010 \$'000	31 December 2009 \$'000
Revenue from operating activities	6	172	386
Contract research and development expenses		(160)	(4,876)
Raw materials and consumables expenses		(11)	(245)
Personnel expenses excluding share-based payment expenses		(771)	(2,006)
Share-based payment expenses		(52)	(256)
Occupancy expenses		(589)	(931)
Depreciation expenses		(94)	(118)
Asset management expenses		(40)	(144)
Legal and professional services expenses		(1,093)	(255)
Travel expenses		(217)	(184)
Insurance expenses		(76)	(100)
Intellectual property expenses		(80)	(254)
Merger proposal expenses			-
Other expenses		(271)	(454)
Results from operating activities		(3,282)	(9,437)
Finance Income		643	278
Income tax expense		-	-
Loss from operations for the period		(2,639)	(9,159)
Loss attributable to owners of the company		(2,639)	(9,159)
Total comprehensive loss for the period	7	(2,639)	(9,159)
Earnings per share		Cents	Cents
Basic earnings per share	13	(0.31)	(1.3)
Diluted earnings per share	13	(0.31)	(1.3)

The Condensed Statement of Comprehensive Income is to be read in conjunction with the notes to the half-year financial statements set out on pages 10 to 14

CONDENSED STATEMENT OF CHANGES IN EQUITY

for the half-year ended 31 December 2010

AVEXA LIMITED ABN 53 108 150 750

**Condensed statement of changes in equity
for the six months ended 31 December 2010**

	Issued capital	Accumulated losses	Total equity
	\$'000	\$'000	\$'000
Opening balance as at 1 July 2010	182,523	(158,154)	24,369
Comprehensive loss for the period			
Loss	-	(2,639)	(2,639)
Total comprehensive loss for the period	-	(2,639)	(2,639)
Transactions with owners, recorded directly in equity			
Contributions by owners			
Issue of ordinary shares pursuant to share purchase plan	-	-	-
Transaction costs relating to issue of ordinary shares	-	-	-
Equity settled share-based payment transactions	-	52	52
Total contributions by owners	-	52	52
Total transactions with owners	-	52	52
Closing balance as at 31 December 2010	182,523	(160,741)	21,782

**Condensed statement of changes in equity
for the six months ended 31 December 2009**

	Issued capital	Accumulated losses	Total equity
	\$'000	\$'000	\$'000
Opening balance as at 1 July 2009	159,902	(117,119)	42,783
Comprehensive loss for the period			
Loss	-	(9,159)	(9,159)
Total comprehensive loss for the period	-	(9,159)	(9,159)
Transactions with owners, recorded directly in equity			
Contributions by owners			
Issue of ordinary shares pursuant to placement	8,001	-	8,001
Issue of ordinary shares pursuant to share purchase plan	15,300	-	15,300
Transaction costs relating to issue of ordinary shares	(702)	-	(702)
Equity settled share-based payment transactions	-	256	256
Total contributions by owners	22,599	256	22,855
Total transactions with owners	22,599	256	22,855
Closing balance as at 31 December 2009	182,501	(126,022)	56,479

The Condensed Statement of Changes in Equity is to be read in conjunction with the notes to the half-year financial statements set out on pages 10 to 14.

AVEXA LIMITED ABN 53 108 150 750

Condensed statement of financial position

	Note	31 December 2010 \$'000	30 June 2010 \$'000
Assets			
Cash and cash equivalents		20,367	24,306
Trade and other receivables		363	341
Prepayments		180	178
Total current assets		20,910	24,825
Property, plant and equipment		581	653
Investments	12	1,500	-
Total non-current assets		2,081	653
Total assets		22,991	25,478
Liabilities			
Trade and other payables		196	816
Employee benefits & other provisions		250	36
Share Subscription	12	750	-
Total current liabilities		1,196	852
Employee benefits & other provisions		13	13
Other		-	244
Total non-current liabilities		13	257
Total liabilities		1,209	1,109
Net assets		21,782	24,369
Equity			
Share capital	7	182,523	182,523
Accumulated losses	7	(160,741)	(158,154)
Total equity		21,782	24,369

The Condensed Statement of Financial Position is to be read in conjunction with the notes to the half-year financial statements set out on pages 10 to 14.

AVEXA LIMITED ABN 53 108 150 750

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

	31 December 2010 \$'000	31 December 2009 \$'000
Cash flows from operating activities		
Cash receipts	225	316
Cash paid to suppliers and employees	(3,958)	(9,500)
Interest received	566	321
Net cash used in operating activities	(3,167)	(8,863)
Cash flows from investing activities		
Equity Investments	(750)	-
Acquisition of property, plant and equipment	(22)	(59)
Net cash used in investing activities	(772)	(59)
Cash flows from financing activities		
Proceeds from issue of shares	-	23,301
Share issue costs	-	(352)
Proceeds from issue of convertible notes	-	500
Net cash from financing activities	-	23,449
Net (decrease) / increase in cash and cash equivalents	(3,939)	14,527
Cash and cash equivalents at 1 July 2010	24,306	18,827
Cash and cash equivalents at 31 December 2010	20,367	33,354

The Condensed Statement of Cash Flows is to be read in conjunction with the notes to the half-year financial statements set out on pages 10 to 14.

AVEXA LIMITED ABN 53 108 150 750

1 Reporting entity

Avexa Limited (the 'Company') is a company domiciled in Australia. The condensed financial report of the Company as at and for the six months ended 31 December 2010 is available upon request from the Company's registered office at 576 Swan Street, Richmond, VIC 3121 or at www.avexa.com.au

2 Statement of compliance

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

The condensed financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Company as at and for the year ended 30 June 2010. This condensed financial report was approved by the Board of Directors on 24 February 2011.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

3 Significant accounting policies

The accounting policies applied by the Company in this condensed financial report are the same as those applied by the Company in its financial report as at and for the year ended 30 June 2010.

4 Estimates

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

In preparing this condensed financial report, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report as at and for the year ended 30 June 2010.

5 Basis of preparation

The financial report is presented in Australian dollars and is prepared on the historical cost basis and on a going concern basis, which assumes the settlement of liabilities and realisation of assets in the normal course of business. At 31 December 2010 the Company had \$20.4 million (30 June 2010: \$24.3 million) of funds available to undertake all budgeted activities in accordance with the Company's strategy. The company has sufficient cash funding to enable it to progress its long term strategy for at least 12 months after the date of this report.

AVEXA LIMITED ABN 53 108 150 750

	31 December 2010 \$'000	31 December 2009 \$'000
6 Revenue from operating activities		
Rental income	172	155
Grant income	-	231
Total revenue from operating activities	172	386

7 Issued capital and accumulated losses**(i) Issued and paid up capital**

847,688,779 (2009: 847,517,349) ordinary shares, fully paid	182,523	182,501
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The following movements in ordinary shares were recorded during the half-year ended 31 December 2010.

	2010 Number of shares	2009 Number of shares	2010 \$'000	2009 \$'000
Balance brought forward as at 1 July	847,688,779	681,080,539	182,523	159,902
Issue of shares pursuant to share placement 4 December 2009	-	57,150,000	-	8,001
Issue of shares pursuant to Share Purchase Plan 30 December 2009	-	109,286,810	-	15,300
Capital raising costs	-	-	-	(702)
Balance carried forward as at 31 December	847,688,779	847,517,349	182,523	182,501

AVEXA LIMITED ABN 53 108 150 750

7 Issued capital and accumulated losses (continued)**(i) Issued and paid up capital**

There were no dividends paid or proposed during the period ended 31 December 2010 or in the previous interim period. Holders of ordinary shares are entitled to one vote per share at shareholders' meetings and to receive any dividends as may be declared. In the event of winding up of the Company, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

(ii) Employee Options

There were nil (2009: nil) options to acquire ordinary shares issued during the half-year ended 31 December 2010 under the Avexa Employee Share Option Plan ('ESOP').

There were no options exercised in the half year (2009: nil) and 7,545,000 (2009: 220,000) options cancelled during the period. Movements for the period are summarised in the following table.

Grant Date	Expiry Date	Exercise Price: original / current (i)	No of options at beginning of year	Options Granted	Options cancelled / exercised(ii)	No of options at end of year
1 July 2006	30 June 2011	\$0.30 / \$0.2279	635,000	-	(460,000)	175,000
1 Nov 2006	30 June 2011	\$0.30 / \$0.2279	300,000	-	(300,000)	-
1 July 2006	30 June 2010	\$0.40 / \$0.3279	100,000	-	(75,000)	25,000
25 May 2007	30 April 2012	\$0.63 / \$0.62	2,700,000	-	(1,250,000)	1,450,000
1 July 2007	30 June 2012	\$0.63 / \$0.62	80,000	-	(80,000)	-
10 Sept 2008	30 June 2013	\$0.31 / \$0.30	4,550,000	-	(3,370,000)	1,180,000
10 Sept 2008	30 June 2013	\$0.54 / \$0.53	800,000	-	(600,000)	200,000
10 Sept 2008	30 June 2013	\$0.62 / \$0.61	800,000	-	(600,000)	200,000
18 June 2009	# 18 June 2014	\$0.13 / \$0.13	1,900,000	-	(810,000)	1,090,000
Total employee options on issue			11,865,000	-	(7,545,000)	4,320,000

The terms of Mr S Kerr's (former CFO) vested but unexercised options that would otherwise have lapsed during this current financial year were varied and extended by 12 months. There is no difference between the total fair value of the options immediately before the variation and immediately afterwards and the financial effect is not quantifiable.

AVEXA LIMITED ABN 53 108 150 750

7 Issued capital and accumulated losses (continued)**(iii) Accumulated losses**

	31 December 2010	31 December 2009
	\$'000	\$'000
Accumulated losses brought forward as at 1 July	(158,154)	(117,119)
Loss for period	(2,639)	(9,159)
Equity component of share-based payments	52	256
Accumulated losses carried forward as at 31 December	(160,741)	(126,022)

(iv) Shire Options

Shire Canada Inc. holds 4 million options with an initial exercise price of 70.4 cents (adjusted following the rights issue to 63.2 cents in accordance with ASX Listing Rule 6.22) which is equal to the volume weighted average price of Avexa shares over the period commencing 30 business days before and ending 30 business days after the ASX trading day of 19 March 2007 on which the 21 day results of the Company's apricitabine (ATC) Phase IIb study were announced. The exercise period for these options commenced on 17 January 2008 and expires on the earlier of 17 January 2012 or the termination of the Shire Licence Agreement.

8 Events subsequent to balance date

The Company subscribed for a second tranche of shares in Allied Medical Ltd on 15 February 2011 for a subscription sum of \$750,000 pursuant to an existing contractual obligation with Allied Medical Ltd. The subscription obligation was triggered as a consequence of Allied Medical's decision to list on the ASX via a reverse takeover process through bioMD Ltd (details of which were announced to the ASX on 15 February 2011). This contractual obligation had already been provided for in the Company's statement of financial position as at 31 December 2010. There has not arisen any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

9 Contingent liabilities and contingent assets

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

10 Related parties

Key management personnel receive compensation in the form of short term employee benefits, post employment benefits and equity compensation benefits (see Note 13). Key management personnel received total compensation of \$424,393 for the six months ended 31 December 2010 (six months ended 31 December 2009: \$995,276), comprising non share-based payment remuneration of \$374,250 plus share-based payment remuneration of \$50,143. Total remuneration is included within 'Personnel expenses' and 'Share-based payment expense' in the Income Statement.

11 Financial instruments

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

12 Investments

The Company has made a strategic investment in Allied Medical Limited, an unlisted public company. The investment was made in two tranches. The first tranche of \$750,000 was paid during the reporting period. The second tranche of \$750,000 was paid on 15 February following Allied Medical Limited's decision to list on the ASX via a reverse takeover process through bioMD Ltd, details of which were announced to the ASX on 15 February 2011.

AVEXA LIMITED ABN 53 108 150 750

13 Earnings per share

(i) Earnings reconciliation	31 December 2010	31 December 2009
Net loss:	\$'000	\$'000
Basic earnings	(2,639)	(9,159)
Diluted earnings	(2,639)	(9,159)
(ii) Weighted average number of shares used as the denominator	31 December 2010	31 December 2009
	Number	Number
Number for basic earnings per share:		
Ordinary shares	847,688,799	690,060,630
Number for diluted earnings per share:		
Ordinary shares	847,688,779	690,060,630
Effect of share options on issue	10,024,809	19,125,516
	857,713,588	709,186,146

All options have exercise prices between \$0.10 and \$0.62 and have been treated as dilutive in nature for the purposes of calculating diluted earnings per share.

14 Employee benefits**(i)**

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

	31 December 2010	30 June 2010
	\$'000	\$'000
Liability for incentive performance payments	5	20
Liability for long service leave	13	13
Liability for annual leave	17	16
Total employee benefits	35	49

(ii) Share-based payments

During the six months ended 31 December 2010, no grants of options have been made under the ESOP as disclosed. The fair values of services received in return for share options granted to employees are measured by reference to the fair value of the options granted. The estimate of fair value of the services received is measured based on a binomial model. The contractual five year life of the option is used as an input to this model and a zero dividend rate has been assumed for each valuation.

During the six months ended 31 December 2010 the Company recognised an expense of \$52,437 (2009: \$255,661) related to the fair value of options issued by the Company in the current and prior periods.

AVEXA LIMITED ABN 53 108 150 750

15 Segment reporting

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

AVEXA LIMITED ABN 53 108 150 750

Directors' declaration

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

- (a) the condensed financial statements and notes set out on pages 6 to 14, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 31 December 2010 and of its performance for the six months period ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Melbourne this 24th day of February 2011.

Signed in accordance with a resolution of the directors.



Mr J Baini
Chairman



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

Report on the financial report

We have reviewed the accompanying half-year financial report of Avexa Limited, which comprises the condensed statement of financial position as at 31 December 2010, condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year period ended on that date, notes 1 to 15 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Company.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2010 and its performance for the half-year period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Avexa Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



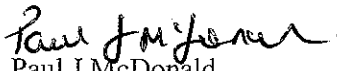
Conclusion

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

(a) giving a true and fair view of the Company's financial position as at 31 December 2010 and of its performance for the half-year period ended on that date; and

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

KPMG
KPMG


Paul J McDonald
Partner

Melbourne

24 February 2011