

Avexa Limited

ABN 53 108 150 750

Appendix 4D

Half year report Period ending 31 December 2015

Results for announcement to the market

Operating performance:	Percentage Change %		Amount \$'000
Revenue from ordinary activities	N/M	To	Nil
Loss from ordinary activities after tax attributable to members <i>(Prior corresponding period loss: \$780,000)</i>	N/M	To	6,038
Loss for the period attributable to members <i>(Prior corresponding period loss: \$780,000)</i>	N/M	To	6,038

	31 December 2015	31 December 2014
Net tangible assets per ordinary security	0.7 cents	24.3 cents
The Net Tangible Assets per Share for 31 December 2014 have been restated with regard to the one for twenty share consolidation.		

N/M – Not Meaningful

Commentary on the Results for the Half Year

The Group generated a loss attributable to members of Avexa Limited of \$6,038,000 for the six months ended 31 December 2015. This compares with a net loss attributable to members of Avexa Limited of \$780,000 reported for the corresponding period ended 31 December 2014.

The underlying loss of the group as reported in the 31 December 2015 half year has increased compared to the 31 December 2014 half year result due to an impairment charge of \$5.7 million in respect of Avexa's loan to its CHUSA associate investment. The directors have taken this prudent position due to the sustained weakness in world energy markets, especially record low oil prices. This is having a significant 'knock-on' and deleterious effect in the local coal industry in which CHUSA operates. Notwithstanding the directors' decision to write down this asset, all options to realise value in this investment continue to be pursued.

As foreshadowed to shareholders at the 2015 AGM, ATC's Early Access Programme has not attracted then (nor since) any orders despite being made available since January 2015. This is in spite of extensive work by Avexa's partner LINK including engagement with HIV activist groups internationally and attendance at successive world HIV Congress (2014 & 2015). Needless to say, this lack of interest is most frustrating particularly given clinical trials of ATC have shown it to be a safe and very well tolerated antiviral agent.

The Company believes that there remains a vital role for ATC in the treatment of resistant patients and that it has significant potential to be a valuable new treatment for HIV as it addresses those pivotal issues which are unmet for many experienced HIV-infected patients. Accordingly, the directors will continue to review all options and make every effort to realise the value in ATC. Similarly, the directors consider that there is potential in the Company's suite of HIV Integrase compounds and will actively search for co-development partners.

As previously announced, further clinical activities are dependent on Valevia raising funds to support the investigation of AVX13616 (antibiotic) in preclinical models of serious Staphylococcus aureus infections.

Dividends

No dividend was declared during the period.

The Company does not have any dividend investment plans in operation.

Acquisitions and divestments

On 15th February 2016 the Group announced that it had completed the acquisition of TALI Health Pty Ltd. The acquisition of TALI was approved by shareholders at the 2015 AGM.

Associates and joint ventures

An equity interest of 30% is held in Coal Holdings USA LLC (CHUSA), the value of which has been impaired in full, reflecting the uncertainty over expected returns. For further information please refer to the Directors' Report and Half Year Financial Statements.

Accounting Standards

The financial report has been prepared in accordance with AASB134 Interim Financial reporting and the Corporations Act 2001.

Auditors review report

The review report prepared by the independent auditor KPMG contains an emphasis of matter highlighting the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern. The review report is attached hereto.

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The directors present their report on Avexa Limited (the 'Group') for the six months ended 31 December 2015 and the review report thereon.

Directors

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

Name and independence status	Period of office and special responsibilities
Mr I Kirkwood Executive Chairman	Executive Chairman since 1 March 2015. Chair of the Audit Committee. Appointed 18 April 2011.
Mr B Hewett Independent Non-Executive Director	Independent non-executive director and Chair of the Remuneration and Nomination Committee. Appointed 6 July 2010.
Mr A Tan Independent Non-Executive Director	Independent non-executive director. Appointed 1 December 2010.

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

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

Director	Number of ordinary Shares*	Number of options to acquire ordinary shares
Mr I Kirkwood	728,741	-
Mr B Hewett	175,017	-
Mr A Tan	55,787	-

* Number of shares after consolidation

Review of operations

The principal activity of the Group is healthcare including the research and development, for commercialisation, of pharmaceutical programs and medical technology projects.

The Group has recorded a loss of \$6.0 million for the six months to 31 December 2015 (31 December 2014: \$0.8 million). Avexa's operating cash consumption for the six months was \$0.5 million (31 December 2014: \$1.2 million) and reported closing cash resources of \$0.4 million at 31 December 2015 (30 June 2015: \$1.0 million).

Included in the operating result is an impairment charge of \$5.7 million in respect of Avexa's loan to its CHUSA associate investment. The directors have taken this prudent position due to the sustained weakness in world energy markets, especially record low oil prices. This is having a significant 'knock-on' and deleterious effect in the local coal industry in which CHUSA operates. Notwithstanding the directors' decision to write down this asset, all options to realise value in this investment continue to be pursued.

Private Placement

On January 27th 2016, the Group announced that it had raised \$490,000 from professional and sophisticated investors who have subscribed for 12,250,000 million shares at \$0.04 per share. The proceeds will be applied towards the product development of TALi, associated Torus Games enhancements, clinical trials and workshops and initial rollout in targeted centres of TALi as described to shareholders at the 2015 AGM.

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TALI Heath Pty Ltd

On November 26th 2015 at the 2015 AGM, shareholders unanimously voted in favour of acquiring TALI Heath Pty Ltd (TALI). On February 15th 2016, the Group announced that the acquisition of TALI was finalised. The acquisition was settled through the issue of 27,584,420 ordinary shares which as at February 15th 2016, was valued at \$1.1m. There was no cash consideration. TALI is an innovative solution in mental health problems aimed at providing a platform for a more calibrated diagnosis tool and treatment for Developmental Delay (DD). Refer to Post Balance Date Events for further detail.

North Pratt coal mine

For the six months to December 2015, Avexa has continued to pursue its investment in the North Pratt coal mine, the proceeds from which were to be used to finance the development of Avexa's research programmes, in particular its late stage HIV drug ATC. The North Pratt coal mine in Alabama has not realised the projected returns which would have funded the final development of ATC. This is most disappointing and following a review of the forecast cash flows to be generated by the coal mine, the current financial performance and position of CHUSA and the continuing depressed state of the local coal market the directors have unanimously decided to cease any future funding of the CHUSA interests, rather concentrating the company's strategy on TALI's breakthrough technology in diagnosing intellectual disabilities.

Drug Development programmes (Apricitabine 'ATC', HIV Integrase and Antibacterial)

As foreshadowed to shareholders at the 2015 AGM, ATC's Early Access Programme has not attracted then (nor since) any orders despite being made available since January 2015. This is in spite of extensive work by Avexa's partner LINK including engagement with HIV activist groups internationally and attendance at successive world HIV Congress (2014 & 2015). Needless to say, this lack of interest is most frustrating particularly given clinical trials of ATC have shown it to be a safe and very well tolerated antiviral agent.

The Company believes that there remains a vital role for ATC in the treatment of resistant patients and that it has significant potential to be a valuable new treatment for HIV as it addresses those pivotal issues which are unmet for many experienced HIV-infected patients. Accordingly, the directors will continue to review all options and make every effort to realise the value in ATC. Similarly, the directors consider that there is potential in the Company's suite of HIV Integrase compounds and will actively search for co-development partners.

As previously announced, further clinical activities are dependent on Valevia raising funds to support the investigation of AVX13616 (antibiotic) in preclinical models of serious Staphylococcus aureus infections.

Post Balance Date Events

On January 27th 2016, the Group announced that it had raised \$490,000 from professional sophisticated investment. The proceeds from the Private Placement will be applied towards the product development of TALI.

On January 27th 2016, the Group announced that it would offer eligible shareholders to participate in a Share Purchase Plan (SPP) and on February 15th 2016 eligible shareholders were invited to participate in the SPP. The SPP will provide the opportunity for Avexa shareholders to support the TALI commercialisation project directly and augment the funds raised in the placement.

On February 15th 2016, the Group announced that the acquisition of TALI was finalised. The acquisition was settled through the issue of 27,584,420 ordinary shares which as at February 15th 2016, was valued at \$1.1m. There was no cash consideration. There was no cash consideration. Jefferson Harcourt and Ben Yeo were appointed as non-executive directors effective 25th February 2016.

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 Group, the results of those operations, or the state of affairs of the Group, in future financial years.

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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 2015 and is set out on page 4 of this report.

Rounding off

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

Dated at Melbourne this 25th day of February 2016.

Signed in accordance with a resolution of the directors.



Mr I Kirkwood
Chairman



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

To: the directors of Avexa Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2015 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

BW Szentirmay
Partner

Melbourne

25 February 2016

**CONSOLIDATED CONDENSED STATEMENT OF PROFIT
OR LOSS AND OTHER COMPREHENSIVE INCOME**

for the half-year ended 31 December 2015

AVEXA LIMITED ABN 53 108 150 750

**Consolidated Condensed statement of profit or loss and other
comprehensive income for the six months ended 31 December**

		31 December 2015 \$'000	31 December 2014 \$'000
	Note		
Revenue from operating activities		-	12
Contract research and development expenses		(36)	(412)
Raw materials and consumables expenses		-	-
Personnel expenses excluding share-based payment expenses		(278)	(529)
Share-based payment expenses		-	-
Occupancy expenses		(58)	(57)
Depreciation		(4)	(4)
Asset management expenses		(10)	(13)
Legal and professional services expenses		(188)	(86)
Travel expenses		(9)	(21)
Insurance expenses		(30)	(41)
Intellectual property expenses		(69)	(167)
Impairment of investment in equity accounted associate		(1)	-
Impairment of loan to equity accounted associate		(5,741)	-
Share of net loss of equity accounted associate		-	(350)
Other expenses		(130)	(168)
Results from operating activities		(6,554)	(1,836)
Foreign exchange gains/(losses)*		331	674
Net finance income/(expenses)	6	185	382
Income tax expense		-	-
Loss from operations for the period		(6,038)	(780)
Loss attributable to owners of the Company	7	(6,038)	(780)
Other comprehensive income			
Items that may be reclassified subsequently to the income statement			
Foreign currency translation reserve		(1)	592
Total comprehensive (loss)/income for the period attributed to the owners of the Company		(6,039)	(188)
Earnings per share		Cents	Cents
Basic earnings per share	13	(12.31)	(1.69)
Diluted earnings per share	13	(12.31)	(1.69)

The Consolidated Condensed Statement of profit or loss and other Comprehensive Income is to be read in conjunction with the notes to the half-year financial statements set out on pages 9 to 14.

* During the previous year the group reclassified its Foreign Exchange gain/(losses) from other income and expenditure to Foreign Exchange gain/(losses). The classification better reflects the nature of the expenditure. Prior period amounts have been reclassified for consistency.

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For the six months ended 31 December 2015

	Issued capital	Accumulated losses	Foreign Currency Translation Reserve	Total equity
	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2015	184,233	(178,397)	538	6,374
Comprehensive income/(loss) for the period				
Loss	-	(6,038)	-	(6,038)
Total other comprehensive loss	-	-	(1)	(1)
Total comprehensive income/(loss) for the period	-	(6,038)	(1)	(6,039)
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 ⁽¹⁾	(16)	-	-	(16)
Equity settled share-based payment transactions	-	-	-	-
Total transactions with owners	(16)	-	-	(16)
Closing balance as at 31 December 2015	184,217	(184,435)	537	319

⁽¹⁾ On January 27, 2016 the company announced that it had raised \$490,000 (excluding transaction costs) from professional and private investors. The above amount related to share issue costs incurred prior to period end.

For the six months ended 31 December 2014

	Issued capital	Accumulated losses	Foreign Currency Translation Reserve	Total equity
	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2014	183,483	(171,787)	(225)	11,471
Comprehensive income/(loss) for the period				
Loss	-	(780)	-	(780)
Total other comprehensive loss	-	-	592	592
Total comprehensive income/(loss) for the period	-	(780)	592	(188)
Transactions with owners, recorded directly in equity				
Contributions by owners				
Issue of ordinary shares pursuant to share purchase plan ⁽¹⁾	(32)	-	-	(32)
Transaction costs relating to issue of ordinary shares	-	-	-	-
Equity settled share-based payment transactions	-	-	-	-
Total transactions with owners	(32)	-	-	(32)
Closing balance as at 31 December 2014	183,451	(172,567)	367	11,251

⁽¹⁾ On January 5, 2015 the company announced that it had raised \$759,500 (excluding transaction costs) from a Share Purchase Plan (SPP). The above amount relates to share issue costs incurred prior to period end.

The Consolidated 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 9 to 14.

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Consolidated Condensed statement of financial position

	Note	31 December 2015 \$'000	30 June 2015 \$'000
Assets			
Cash and cash equivalents		406	1,025
Investments	12	96	110
Trade and other receivables		23	408
Prepayments		62	41
Total current assets		587	1,584
Equity accounted investments		-	1
Receivables		-	5,049
Property, plant and equipment		13	17
Total non-current assets		13	5,067
Total assets		600	6,651
Liabilities			
Trade and other payables		205	199
Employee benefits		76	78
Total current liabilities		281	277
Employee benefits		-	-
Total non-current liabilities		-	-
Total liabilities		281	277
Net assets		319	6,374
Equity			
Share capital	7	184,217	184,233
Fair Value Reserve		-	-
Foreign currency translation reserve		537	538
Accumulated losses	7	(184,435)	(178,397)
Total equity		319	6,374

The Consolidated Condensed Statement of Financial Position is to be read in conjunction with the notes to the half-year financial statements set out on pages 9 to 14.

**CONSOLIDATED CONDENSED STATEMENT
OF CASH FLOWS**

for the half-year ended 31 December 2015

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

	31 December 2015 \$'000	31 December 2014 \$'000
Cash flows from operating activities		
Cash receipts	289	308
Cash paid to suppliers and employees	(829)	(1,496)
Interest received	7	37
Net cash used in operating activities	(533)	(1,151)
Cash flows from investing activities		
Sale of listed equity investments	-	232
Loans to associated entities – Coal Holdings USA, LLC (CHUSA)	(70)	(1,211)
Acquisition of property, plant and equipment	-	(2)
Net cash used in investing activities	(70)	(981)
Cash flows from financing activities		
Proceeds from issue of shares pursuant to share purchase plan	-	-
Share issue costs	(15)	(32)
Net cash used in financing activities	(15)	(32)
Net (decrease) / increase in cash and cash equivalents	(618)	(2,164)
Cash and cash equivalents at 1 July	1,025	3,362
Effects of exchange rate changes on cash	(1)	(9)
Cash and cash equivalents at 31 December	406	1,189

The Consolidated Condensed Statement of Cash Flows is to be read in conjunction with the notes to the half-year financial statements set out on pages 9 to 14.

AVEXA LIMITED ABN 53 108 150 750

1 Reporting entity

Avexa Limited (the 'Company') is a company domiciled in Australia. The condensed consolidated interim financial statements of the Company as at and for the six months ended 31 December 2015 comprise the Company and its subsidiary entities (together referred to as the "Group" and individually as "Group entities").

2 Statement of compliance

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

The condensed consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Group as at and for the year ended 30 June 2015. This condensed consolidated financial report was approved by the Board of Directors on 25 February 2016.

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

3 Significant accounting policies

Except as described below, the accounting policies applied by the Group in this condensed consolidated interim financial statements are the same as those applied by the Group in its financial report as at and for the year ended 30 June 2015.

The new and revised standards and interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to the Group that have been adopted for the current half year are:

- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.

The application of the new and revised standards has not had a material impact on the disclosures or on the amounts recognised in the consolidated interim financial statements

4 Estimates

The preparation of condensed consolidated interim financial statements 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 these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report as at and for the year ended 30 June 2015.

5 Basis of preparation

Going concern basis of accounting

In preparing the financial statements, the directors have made an assessment of the ability of the consolidated entity to continue as a going concern, which contemplates the continuity of normal operations, realisation of assets and settlement of liabilities in the ordinary course of business and at the amounts stated in the interim financial report. The Company's strategy in this regard is to maintain sufficient working capital to continue with its operations in the 2016 financial year and beyond, until such time as self-sustaining revenue streams are realised. Following a review of the Company's drug development projects and investment in Coal Holdings USA, LLC (CHUSA), all associated expenditures are subject to ongoing and close scrutiny. In the meantime, the Company will concentrate on the TAL1 project with its breakthrough technology in diagnosing intellectual disabilities.

The ability of the Company and the consolidated entity to meet operating cash requirements for the next 12 months and beyond is dependent on raising funds from other sources which may include raising capital or monetising the consolidated entity's existing portfolio of intangible assets. In this respect, subsequent to the period end the company has successfully raised \$490,000 through a Private Placement to sophisticated investors in order to fund initial trial activities relating to the TAL1 acquisition, and have launched a Share Purchase Plan (SPP) to raise additional capital funding. The SPP opened on 15 February and will close on 11 March 2016 (unless extended). Additional capital or other funding is expected to be required in order to continue to fund the working capital requirements of the company, and there is still uncertainty as to whether such funding will be successfully obtained.

As a result of these factors, there exists a material uncertainty which may cast doubt about the ability of the Company and the Group to continue as a going concern.

After making enquiries and considering all potential sources of funding available to the Group, and also having regard to the uncertainties described above, the Directors have a reasonable expectation that the Company and the consolidated entity will have adequate resources to continue to meet its obligations as and when they fall due. For these reasons, the going concern basis has been adopted in preparing the interim consolidated financial statements.

6 Net finance income/(expense)

	31 December 2015	31 December 2014
	\$'000	\$'000
Interest income on cash and cash equivalents	7	31
Interest income on loan receivable	192	141
Realised gain on investment in listed equities	-	176
Unrealised gain/(loss) on investment in listed equities	(14)	-
(Impairment Charge) / impairment reversal	-	34
Impairment Charge – Transfer from Fair Value Reserve	-	-
Total Net Finance Income/(Expense)	185	382

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7 Issued capital and accumulated losses

31 December	31 December
2015	2014

(i) Issued and paid up capital

49,040,973 (2014: 49,284,441) ordinary shares, fully paid	184,217	183,451
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The following movements in ordinary shares were recorded during the half-year ended 31 December 2015.

	2015	2014	2015	2014
	Number of shares	Number of shares	\$'000	\$'000
Balance brought forward as at 1 July	49,040,973	46,284,441	184,233	183,483
Transaction costs relating to issue of ordinary shares	-	-	(16)	-
Issue of shares pursuant to Share Purchase Plan	-	-	-	(32)
Balance carried forward as at 31 December	49,040,973	46,284,441	184,217	183,451

The Group completed its one for twenty share consolidation in December 2015 following approval by shareholders in November 2015. The share consolidation involved the conversion of every 20 fully paid ordinary shares on issue into one fully paid ordinary share. Where the share consolidation resulted in a shareholder having a fractional entitlement to a share, the entitlement was rounded up to the next whole number of shares. Upon the completion of the share consolidation in December 2015, the number of Avexa Limited shares on issue reduced from 980,778,925 shares to 49,040,973 as at that date.

The issued and paid up capital for 2014 has been restated for the one for twenty share consolidation.

There were no dividends paid or proposed during the period ended 31 December 2015 or in the previous interim period. Holders of ordinary shares are entitled to one vote per share at shareholders' meetings and to receive any dividends as may be declared. In the event of winding up of the Group, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

(ii) Accumulated losses

	31 December	31 December
	2015	2014
	\$'000	\$'000
Accumulated losses brought forward as at 1 July	(178,397)	(171,787)
Loss for period	(6,038)	(780)
Equity component of share-based payments	-	-
Accumulated losses carried forward as at 31 December	(184,435)	(172,567)

8 Events subsequent to balance date

On January 27th, 2016, the Group announced that it had raised \$490,000 from professional and sophisticated investors who have subscribed for 12,250,000 million shares at \$0.04 per share. The proceeds will be applied towards the product development of TALI, associated Torus Games enhancements, clinical trials and workshops and initial rollout in targeted centres of TALI as described to shareholders at the 2015 AGM.

On January 27th 2016, the Group announced that it would offer eligible shareholders to participate in a Share Purchase Plan (SPP) and on February 15th 2016 eligible shareholders were invited to participate in the SPP. The SPP will provide the opportunity for Avexa shareholders to support the TALI commercialisation project directly and augment the funds raised in the placement. The SPP remains open until 11th March 2016.

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8 Events subsequent to balance date (continued)

On February 15th 2016, the Group announced that the acquisition of TALI was finalised. The acquisition was settled through the issue of 27,584,420 ordinary shares which as at February 15th 2016, was valued at \$1.1m. There was no cash consideration. There was no cash consideration. Jefferson Harcourt and Ben Yeo were appointed as non-executive directors effective 25th February 2016.

Other than noted above there has not arisen since the end of the half-year any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, 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**Transactions with associates and other related parties**

	31 December 2015	31 December 2014
	\$'000	\$'000
Loans to associates and related interest	68	1,211
Interest income on loan to associate	192	141

An additional \$50,000USD was loaned to Coal Holdings USA, LLC (CHUSA) during the current period. The working capital loan to CHUSA is secured over the assets of CHUSA and its subsidiary company, North Pratt Coal Holdings LLC.

Outstanding balances with associates and other related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties other than KMPs:

	31 December 2015	30 June 2015
	\$'000	\$'000
Other receivables	111	106
Loans to associates	7,007	6,413
Less impairment provision	(7,118)	(1,364)
Loans carried forward as at 31 December	-	5,155

Impairment of Loan to CHUSA

An impairment charge of \$5.7 million has been recorded against the loan to CHUSA following a review of the forecast future cash flows to be generated by the North Pratt coal mine, the current financial performance and the position of CHUSA, the continuing depressed state of the local coal market and uncertainties over the extent and timing of any future loan repayments.

11 Financial instruments

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

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12 Investments

Current	31 December 2015	30 June 2015
Financial assets classified as available for sale	96	110
	96	110

Investments in equity instruments are categorised as Level 1 within the fair value hierarchy and are valued using market observable rates, being quoted ASX stock prices.

13 Earnings per share

(i) Earnings reconciliation	31 December 2015	31 December 2014
Net loss:	\$'000	\$'000
Basic earnings	(6,038)	(780)
Diluted earnings	(6,038)	(780)
(ii) Weighted average number of shares used as the denominator	31 December 2015 Number	31 December 2014 Number*
Number for basic earnings per share:		
Ordinary shares	49,040,973	46,284,441
Number for diluted earnings per share:		
Ordinary shares	49,040,973	46,284,441
Effect of share options on issue	-	-
Weighted average number of ordinary shares (diluted)	49,040,973	46,284,441

*The weighted average number of shares for 31 December 2014 have been restated for the one for twenty share consolidation. Refer to Note 7 to the half-year Financial Statement for further details regarding the share consolidation undertaken by the consolidated entity during the financial period.

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14 Segment reporting**Information about reportable segments for the six months ended 31 December 2015**

	Research & Development		Investments		Total	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
External revenues	-	-	-	-	-	-
Inter-segment revenue	-	-	-	-	-	-
Interest revenue	7	31	192	141	199	172
Finance expense	-	-	-	-	-	-
Impairment of loan to associate	-	-	5,741	-	5,741	-
Impairment of equity accounted investment	-	-	1	-	1	-
Share of net profit/(loss) of associate accounted for using the equity method	-	-	-	(350)	-	(350)
Other income	-	12	318	881	318	893
Reportable segment Profit/(loss) before tax	(805)	(1,442)	(5,233)	662	(6,038)	(780)
Reportable segment assets	504	1,412	96	10,291	600	11,703

The aggregate of the assets and profits for each segment is the Group total.

The Group comprises of the following two distinct business segments:

1. Research and Development – the operation of conducting anti-infective research and development.
2. Investments – investing in a US coal mine and Australian listed equities.

15 Group entities

Significant subsidiaries

For the six months ended 31 December 2015	Country of Incorporation	Ownership interest	
		31 December 2015	31 December 2014
AVI Capital Pty Ltd	Australia	100	100
Avexa Inc	USA	100	100
Avexa Ltd	UK	100	100
Avi Capital Inc	USA	100	100

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Directors' declaration

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

- (a) the condensed financial statements and notes set out on pages 9 to 14, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the six month period ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Dated at Melbourne this 25th day of February 2016.

Signed in accordance with a resolution of the directors.



Mr I Kirkwood
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 (the company), which comprises the consolidated condensed statement of financial position as at 31 December 2015, consolidated condensed statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year 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 Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Avexa Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Conclusion

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter relating to going concern

Without modifying our report, we draw attention to note 5 of the interim financial report. The Group recorded an operating loss of \$6,038,000 after tax for the period, and net assets totalled \$319,000 at period end. The Group is dependent on securing additional sources of funding in order to meet working capital and operating expenditure requirements. This matter indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and therefore the Company and the Group may be unable to realise their assets and discharge their liabilities in the normal course of business.

KPMG

KPMG

BW Szentirmay
Partner

Melbourne

25 February 2016