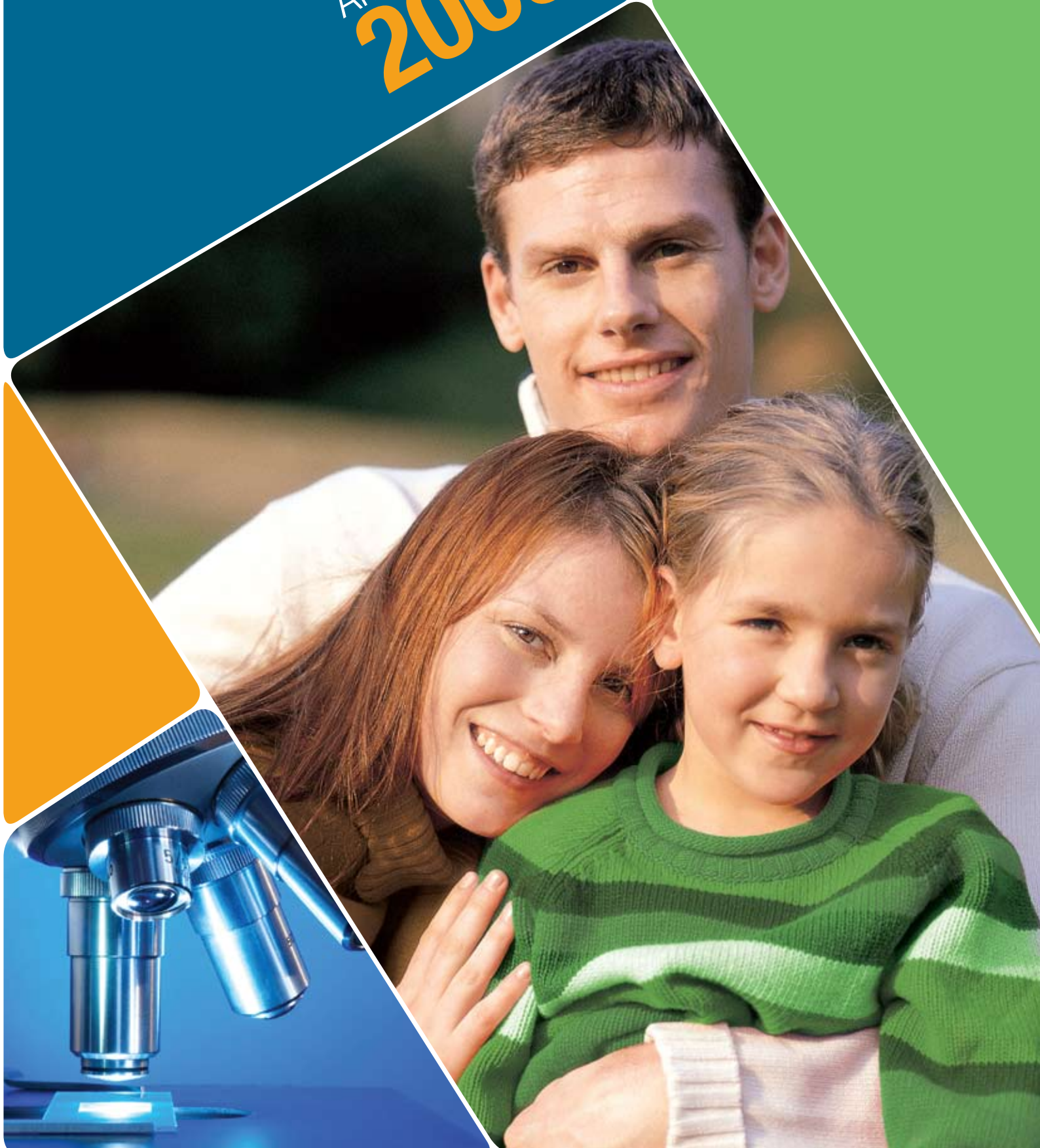


Annual Report  
**2009**

**Actinogen**  
LIMITED  
ACN 086 778 476





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*The photographs contained in this Annual Report are for illustration purposes only and are not necessarily assets of the Company*



# Corporate Directory

**DIRECTORS**

Mr David Zohar – *Executive Director*  
Dr Zhukov Pervan – *Executive Chairman*  
Professor David Keast – *Executive Scientific Director*  
Dr Alan Morton - *Non Executive Director*  
Mr Christopher Simon England – *Non Executive Director*

**COMPANY SECRETARY**

Mr Mark Killmier

**PRINCIPLE REGISTERED  
OFFICE IN AUSTRALIA**

Level 7, 231 Adelaide Terrace  
Perth, Western Australia, 6000

**SHARE REGISTRY**

Computershare Investor Services Pty Ltd  
2/45 St Georges Terrace, Perth, Western Australia, 6000

**AUDITOR**

BDO Kendalls Audit & Assurance (WA) Pty Ltd  
128 Hay Street, Subiaco, Western Australia, 6008

**SOLICITORS**

Lawton Gillon  
Level 11, 16 St Georges Terrace, Perth, Western Australia, 6000

**BANKERS**

National Australia Bank

**STOCK EXCHANGE LISTINGS**

Actinogen Limited shares are listed on the  
Australian Securities Exchange under ACW and ACWO.

**WEBSITE ADDRESS**

[www.actinogen.com.au](http://www.actinogen.com.au)

**EMAIL**

[info@actinogen.com.au](mailto:info@actinogen.com.au)

# Corporate Governance Statement

## INTRODUCTION

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity and pursuing the true spirit of corporate governance commensurate with the Company's needs. To the extent they are applicable; the Company has adopted the Ten Essential Corporate Governance Principles and Best Practice Recommendations ("Recommendations") as published by ASX Corporate Governance Council. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance structures will be given further consideration.

The Company's Board Charter, Code of Conduct, Trading Policy, and Company Securities policy documents have been posted on the website.

## BOARD COMPOSITION AND REMUNERATION

The skills, experience and expertise relevant to the position of each Director who is in office at the date of the financial report and their term of office are detailed in the Directors' Report. There is no formal policy or procedure regarding the taking of professional advice by the independent directors; however no restrictions are placed on the independent directors to take advice on matters arising from their roles as independent directors of the company, or the reimbursement of the costs incurred by the company.

Professor Morton and Mr England are considered by the Board to be independent directors. The determination by the Board as to whether individual directors are independent is a matter of judgement. In making this determination the Board has followed the guidance in Box 2.1 of the Recommendations and the Guide to Reporting on Principle 2. The Board considers the relationships the independent directors have with the company do not materially impact on their independence. In determining the materiality of these relationships, the Board has considered both quantitative and qualitative factors. In determining the quantitative factors the Board considers that a relationship is immaterial where it is equal to or less than 5% of the base amount. In applying this level of materiality to the relationship of the independent directors in the case of shareholders and suppliers, the Board considers that the independent directors' interest is less than 5% of the base amount. In respect to the qualitative measures the Board has considered the factors affecting the independent directors' relationship with the company and consider these qualitative factors to be immaterial in the assessment of their independence. There is an agreed procedure by the board of directors to take independent professional advice at the expense of the company.

Disclosure as to the nature and amount of remuneration paid to the Directors of the Company is included in the Directors report and notes to the financial statements in the company's annual report each year. The structure and objectives of the remuneration policy and its links to the Company's performance is disclosed in the annual Directors' Report. The only form of retirement benefit to which non-executive directors are entitled, is superannuation.

## CORPORATE REPORTING

The Executive Chairman and Chief Financial Officer have made the following certifications to the board:

- that the company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and are in accordance with relevant accounting standards.
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board and that the company's risk management and internal compliance and control is operating efficiently and effectively in all material respects.

## CODE OF CONDUCT

The company has developed a Code of Conduct (the Code) which has been fully endorsed by the board and applies to all directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity. The Code of Conduct appears on the company's website.

In summary, the Code requires that at all times all company personnel act with the utmost integrity, objectivity, in the best interests of the company and in compliance with the letter and the spirit of the law and company policies.

Any breaches of the Code are reported to the chairman in the first instance for notification to the board.

The directors are satisfied that the Company has complied with its policies on ethical standards, including trading in securities.

### CONTINUOUS DISCLOSURE AND SHAREHOLDER COMMUNICATION

The company has a policy that information concerning the Company that a reasonable person would expect to have a material effect on the price of the company's securities is continuously disclosed as required under the Australian Stock Exchange (ASX) listing rules.

The company encourages communication with shareholders and the attendance and effective participation by shareholders at general meetings.

The Joint Company Secretaries have been nominated as the persons responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the company's website as soon as it is disclosed to the ASX.

Annual and half yearly reports are made available on the company's website and mailed to those shareholders who request a hard copy.

### EXPLANATIONS FOR DEPARTURES FROM BEST PRACTICE RECOMMENDATIONS

#### Principle 1 recommendation 1.1, 1.2, 1.3

*Notification of Departure:*

The Company has not: (1) formally disclosed the functions reserved to the Board and those delegated to management; (2) the process for evaluating the performance of senior executives, and; (3) whether a performance evaluation for senior executives has taken place in the reporting period and whether it was in accordance with the process which is to be disclosed.

*Explanation for Departure:*

The Board recognises the importance of distinguishing between the respective roles and responsibilities of the Board and management, and evaluating the performance of senior executives. The Board has established a framework for the management of the Company and the roles and responsibilities of the Board and management. Previously, due to the small size of the Board and of the Company, the Board did not think that it was necessary to formally document the roles of the Board and management as these roles were clearly understood by all members of the Board and management. The Board is responsible for the strategic direction of the Company, establishing goals for management and monitoring the achievement of these goals, monitoring the overall corporate governance of the Company and ensuring that shareholder value is increased.

#### Principle 2 Recommendation 2.1

*Notification of Departure:*

The Board does not have a majority of independent Directors.

*Explanation for Departure:*

The Board has been structured such that its composition and size will enable it to effectively discharge its responsibilities and duties. Each Director has the relevant industry experience and specific expertise relevant to the Company's business and level of operations. The Board considers that its structure is, and will continue to be, appropriate in the context of the Company's recent history. The Company considers that the non-independent Directors possess the skills and experience suitable for building the Company. Furthermore, the Board considers that in the current phase of the Company's growth, the Company's shareholders are better served by directors who have a vested interest in the Company. The Board intends to reconsider its composition as the Company's operations evolve, and may appoint independent directors as it deems appropriate.

As of the date of this report the company has 3 non-independent directors (including the Chairman) and 2 independent directors.

#### Principle 2 Recommendation 2.2

*Notification of Departure:*

The Board does not have an independent chairman.

*Explanation for Departure:*

Dr Pervan who is the Company's current chairman also has an executive position on the Board and accordingly is classified as a non-independent director.

The Board believe that the executive duties exercised by Dr Pervan on behalf of the company do not impinge on the proper and effective discharge of his duties as the Chairman, particularly given the size of the company, its stage of development and current activities being undertaken. More specifically, the skills and experience that Dr Pervan brings to the company make him ideally suited to the role.

In the future, as the company grows and increases in size and level of activity, the Board will reconsider the position of the Chairman and whether the appointment of an independent chairman is warranted.

**Principle 2 Recommendation 2.4***Notification of Departure:*

The full Board carries out the role of a nomination committee in the Nomination Committee Charter formalised on 1 March 2007. The Board has not adopted a charter relevant to the specific functions of a nomination committee.

*Explanation for Departure:*

The Board considers that no efficiencies or other benefits would be gained by establishing a separate nomination committee, in particular at this early stage of the Company's operations, where the Company's focus is on the retention of directors and senior executives. In the future, as the company grows and increases in size and level of activity, the Board will reconsider the establishment of a separate nomination committee.

**Principle 2 Recommendation 2.5***Notification of Departure:*

The Company has not disclosed the process for evaluating the performance of the board, and individual directors.

*Explanation for Departure:*

The Board considers that at this time no efficiencies or other benefits would be gained by introducing formal evaluations. In the future, as the company grows and increases in size and activity, the Board will consider the establishment of formal board and individual director evaluation processes.

**Principle 2 Recommendation 2.6***Notification of Departure:*

The Company has not disclosed whether a performance evaluation for the board, and directors has taken place in the reporting period and whether it was in accordance with a disclosed process.

*Explanation for Departure:*

The Board considers that at this time no efficiencies or other benefits would be gained by introducing formal evaluations. In the future, as the company grows and increases in size and activity, the Board will consider the establishment of formal board and individual director evaluation processes.

**Principle 4 Recommendation 4.2, 4.3, 4.4***Notification of Departure:*

There is no separate Audit Committee.

*Explanation for Departure:*

The Company's financial statements are prepared by the company secretary and reviewed in detail by the full Board. The Board also relies on the functions and capabilities of its external auditors to ensure proper audit of financial statements. While the Board considers this process sufficient to ensure integrity in financial reporting in the current circumstances, it will continue to monitor whether any further safeguards are required and make changes as appropriate.

**Principle 6 Recommendation 6.1,6.2***Notification of Departure:*

The Company does not have a formal documented Shareholder communication policy.

*Explanation for Departure:*

The Company strongly encourages more communication between the shareholders and the Company and board.



## 6 Corporate Governance Statement

All general meetings include briefings by board members to provide a deeper insight into the Company, opportunities for the shareholders to have their questions answered, and following all general meetings, the directors encourage shareholders to chat informally with them. As the Company grows in size, the board is very keen to develop more formal and expansive communications with shareholders.

### **Principle 7 Recommendation 7.1**

*Notification of Departure:*

The Company has not disclosed its risk management policies and assessment framework.

*Explanation for Departure:*

While the Company has informal risk management policies and frameworks, it is in the process of formalizing these. One responsibility delegated to the recently appointed Chief Financial Officer is that of formalizing and enhancing the risk management policies and frameworks for recommendation to, and approval by the board. These will then be placed on the Company's website.

### **Principle 8 Recommendation 8.1**

*Notification of Departure:*

The Company does not have in place a formal process for evaluation of the Board, its committees, individual directors and key executives.

*Explanation for Departure:*

Due to the small size of the Company, an evaluation of the Board has been carried out on a continuing and informal basis as part of the Company's preparations for the initial public offering, listing on ASX and the start up phase of operations. The Company will put in place a process for evaluating the Board, individual Directors and key executives once its operations have reached a stage where meaningful key performance indicators can be implemented to measure the individual's performance.

### **Principle 9 Recommendation 8.2**

*Notification for departure:*

The Company does not have a formal remuneration policy and has not established a separate remuneration committee.

*Explanation for Departure:*

The current remuneration of the Directors is disclosed in the Directors Report included in the Annual Report. Remuneration is currently in accordance with the general principals recommended by the ASX. Non-executive Directors receive a fixed fee for their services and do not receive performance based remuneration. Due to the early stage of development and small size of the Company, a separate remuneration committee was not considered to add any efficiency to the process of determining the levels of remuneration for the Directors and key executives. The Board considers that it is more appropriate to set aside time at 2 Board meetings each year to specifically address matters that would ordinarily fall to a remuneration committee. In addition, all matters of remuneration will continue to be in accordance with Corporations Act requirements, especially in respect of related party transactions. That is, none of the Directors participate in any deliberations regarding their own remuneration or related issues.



## Directors' Report

The Directors of Actinogen Ltd submit their report for the year ended 30 June 2009.

### THE BOARD OF DIRECTORS

The names and details of the Company's Directors in office during the financial year and up to the date of this report are as follows:

#### **David Zohar (appointed 26 March 1999)**

*BSc DipEd*

##### **Executive Director**

Mr Zohar has undertaken undergraduate studies in Geology and post graduate studies in Accountancy and Commercial Law. He has been active in the exploration industry for over 20 years. He has been a director and/or CEO of a number of exploration companies and has also negotiated numerous agreements with various companies and other participants within the mining industry. He has been involved in the formation and/or listing on the ASX of several public mining companies. Directorships of other listed public companies over the past three years are Red River Resources Limited, United Orogen Ltd Ltd, Iron Mountain Mining Ltd, Eagle Nickel Ltd, Terrain Minerals Ltd and Aluminex Resources Ltd.

Mr Zohar holds 7,478,334 ordinary shares and 11,750,000 options in Actinogen Ltd.

#### **Zhukov Pervan (appointed 26 March 1999)**

*MB,BS(WA), FRACGP, FAICD*

##### **Executive Chairman**

Dr Pervan is a Doctor of Medicine with over 35 years experience in various capacities in Western Australia. He has consulted to several university and government bodies in many areas. He has conducted original research in collaboration with the University of Western Australia Departments of Microbiology and Human Movement. This research has been published in international journals.

In the past Dr Pervan has served as a Director of several public companies involved in exploration and in the general commercial world, including Agforce Limited, Gold Lake Mining Pty Ltd, Innovative Coatings Limited and Visionglow Global Limited. Directorships of listed public companies over the past three years are United Orogen Ltd Ltd, Eagle Nickel Ltd and Iron Mountain Mining Ltd.

Dr Pervan holds 7,133,334 ordinary shares and 11,750,000 options in Actinogen Ltd.

#### **Professor David Keast (appointed 1 November 2003)**

*CDA (Seale Hayne Agric. College, UK), BSc, MSc, PhD, MASM.*

##### **Executive Scientific Director**

Professor Keast was on the staff of the University of Western Australia for 34 years. He is currently an Honorary Research Fellow in microbiology at the University of Western Australia. He has over 220 publications, reviews and chapters in international scientific journals in the areas of microbiology, immunology and sports science.

He has wide experience in reviewing research applications for medical, cancer research and biological research for the major granting bodies in Australia. He has broad experience in administration, particularly at higher degree scholarship levels and reviewed and examined research at all levels. He has experience in contract research and patent development.

Professor Keast has held no other Directorships in Public Companies over the past 3 years.

Professor Keast holds 3,733,333 ordinary shares and 5,000,000 options in Actinogen Ltd.

#### **Alan Morton – (appointed 18 July 2007)**

*AM, Dip PE, MSc, EdD, DSc(HC), DEd(HC), FACSM, FASMF, FACHPER, FAAESS*

##### **Non-Executive Director**

Professor Morton was appointed a Member of the General Division of the Order of Australia (AM) in the Queen's Birthday Honour List (2001). He has been on the staff at the University of Western Australia for 30 years. He is an exercise physiologist with university teaching and research experience in Australia, Canada and the United States of America.

He has more than 260 scientific publications in the form of books, booklets, book chapters and research articles which appear in international journals of medicine, sports medicine and exercise science. He has

reviewed research for a number of international scientific societies and is currently on the editorial board of an international sports medicine journal.

Professor Morton is, or has been on a number of medical and scientific advisory committees, the Board of Directors of the National Heart Foundation (WA Branch) and the Executive Committee of the Asthma Foundation (WA Branch).

Professor Morton has held no other Directorships in Public Companies over the past 3 years.

Professor Morton holds 666,666 ordinary shares and 1,000,000 options in Actinogen Ltd.

**Christopher Simon England (Appointed 18 July 2007)***BCom, LLB (Hons), GAICD***Non-Executive Director**

Simon England is a lawyer with over 15 years experience in private practice. He has considerable experience in all areas of commercial law including the formation and listing of public companies on the ASX and ASX compliance requirements for listed companies.

He has completed the Australian Institute of Company Directors Course for Company Directors. He is the chairman of ASX listed Iron Mountain Mining Limited.

Mr England holds 500,000 ordinary shares in Actinogen Ltd.

**COMPANY SECRETARY**

The following persons held the position of joint company secretary during the financial year.

**Diane Patricia Burrows (appointed 25 October 2007) (resigned 8 October 2008)**

Ms Burrows has had 35 years experience in the financial and securities industry in both an executive and senior management position. Prior to joining the company she was a senior relationship manager with Computershare Investor Services Pty Limited. Ms Burrows was also joint company secretary of Eagle Nickel Limited.

Ms Burrows has no interest in ordinary shares or options in Actinogen Ltd.

**David Zohar (refer above) (appointed 26 March 1999) (resigned 20 July 2009)****Mark Killmier (appointed 20 July 2009)***B.Ec(Adel), MBA (UWA), FCPA, GDCorpGovASXLE*

Mr Killmier has over 27 years experience in Business and Finance, working in the mining, manufacturing and engineering sectors, in Australia and the United Kingdom. He is currently also the Company Secretary of Millennium Minerals Ltd. Mr Killmier has a MBA from the University of Western Australia, is a Fellow member of CPA (Certified Practising Accountants) Australia, and holds a Graduate Diploma in the Corporate Governance of ASX Listed Entities.

Mr Killmier has no interest in ordinary shares or options in Actinogen Ltd.

**Principal activity and operating results**

The principal activity of the company has been to pursue investments in biotech projects. The net loss of the company for the year after income tax was \$926,942 (2008: \$435,658).

**Financial Position**

The net assets of the Company at year end are \$1,902,230 (2008: \$2,859,172)

**Dividends**

No amounts have been paid by way of dividend since the date of incorporation.

The directors recommend that no final dividend be paid.

**Review of Operations**

This year samples have been collected from soils, mine sites and waters from around Western Australia. The total number of isolates tested by primary screening this year was 1134 (5,680 cultures).

After secondary screening, Actinogen Ltd. has total of 2038 isolates. Some notable results include:

- 65 that have activity against the entire MRSA panel;
- 26 that have activity against some of the panel;
- 19 that have activity against the entire Candida panel ( $\pm$  one strain);
- 44 that have activity against part of the entire Candida panel ( $\pm$  one strain);
- 24 that have activity against VRE;
- 5 that have intermittent activity against *Pseudomonas aeruginosa*; and
- 5 isolates that have quorum quenching ability.

Further characterisation of antibiotic-producing isolates has covered metabolic and physical characteristics and confirms the great variability of species being isolated that have antibiotic ability and enhances the possibility of new antimicrobial and antifungal compounds being isolated.

Actinogen now has three isolates of interest deposited under the Budapest Treaty.

Screening of actinomycetes exudates for toxicity was carried out using several mammalian adherent cell lines. Thus far, 200 isolates which equates to 16,336 cultures have been assayed in primary toxicity screening. There are now 31 isolates that have either cytotoxic or cytostatic activity.

Detailed research was done on the development of screening, which will determine if cytotoxicity of cell lines is due to either apoptosis or necrosis.

*Curly Leaf*

*Taphrina deformans* is the causative agent of curly leaf, a fungal disease that has a negative impact on the stone fruit industry. Actinogen Ltd purchased a strain of *T. deformans* from Deutsche Sammlung von Mikroorganismen und Zellkulturen GmbH (DSMZ), the German Collection of Microorganisms and Cell Cultures. This strain was used to screen the Actinomycetes collection for an effective antifungal activity against this pathogen. Attempts also continue to isolate a local strain of the *T. deformans*.

*New Developments*

During trials two fungi were found to be producing what appears to be a new brown rot disease through a co-infection process. The primary infection was caused by *Botryotinia fuckeliana* which created lesions in both peaches and nectarines which allowed a second fungus *Eurotium rubrum* to become established. The final outcome was a brown rot disease that progressed to mummified fruit.

A series of 200 actinomycetes from Actinogen's library were tested for anti fungal activity directed against the primary fungus B, *fuckeliana*. Twenty two actinomycetes exhibited anti fungal activity on the primary screening tests.

Only two of these isolates produced significant activity on secondary liquid fermentation trials. The active components could not be identified from our reference libraries.

A provisional patent is being applied for.

*Salt tolerant programme*

Actinomycete isolates capable of growing in the presence of 10-20% saline were grown in liquid-salt medium and these have formed the basis for laboratory soil tests. We have shown that not all of these isolates can survive in the soil situation. More aggressive actinomycetes appear to take over the soil environment to become the dominant population.

We have investigated the best ways to sterilise both wheat and the seeds of three native salt bush plants.

*Plastics Work*

Plastic bags from five warehouses were used to screen Actinomycetes for the ability to degrade plastic, none could degrade these plastic bags even after ten weeks of incubation at room temperature. Biodegradable Biobags (3 types) were also tested against 500 isolates with no positive

Result. The biodegradability of these bags was also tested in soil from seven soil types. The bags did not show any signs of degradation, though freely available technical information on Biobags claims a 50% weight loss in 20 days.

*Water Samples*

The company now has a small collection of bacteria and Actinomycetes that are capable of utilising chitin from either crab shells or mushrooms. These are stored at -80°C for future use in projects that incorporate the breakdown of chitin into glucosamine.

*Dereplication*

Dereplication is the process of testing samples which are positive in a screening test, i.e. contain an active compound, to recognise and eliminate from consideration active compounds that are already known.

A total 178 isolates have been tested by HPLC. Of these there are 49 isolates that have well defined peaks which are not found in our reference library and are yet to be identified.

**Significant changes in the state of affairs**

There were no significant changes in the state of affairs of the company during the year other than for the loss for the year as noted elsewhere in this report.

**Matters subsequent to the end of the financial year**

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of the company in subsequent financial years.

**Likely developments and expected results of operations**

Information on likely developments in the operations of the company and the expected results of operations have not been included in this annual financial report because the directors believe it would be likely to result in unreasonable prejudice to the company.

**Environmental Issues**

The directors believe the company is not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. For the first measurement period 1 July 2008 to 30 June 2009 the directors have assessed that there are no current reporting requirements, but may be required to do so in the future.

### REMUNERATION REPORT (AUDITED)

The information contained in the remuneration report has been audited as required by Section 308(3c) of the Corporations Act 2001.

#### Remuneration policy

The Company's policy for determining the nature and amount of emoluments of board members and senior executives are as follows:

#### Executive Remuneration

The Company's remuneration policy for Executive Directors is designed to promote superior performance and long term commitment to the Company. Executives receive a base salary which is market related. Overall remuneration policies are subject to the discretion of the Board and can be changed to reflect competitive market and business conditions where it is in the best interests of the Company and its shareholders to do so. The Board's reward policy reflects its obligation to align executive's remuneration with shareholders' interests and retain appropriately qualified executive talent for the benefit of the Company. The main principles of the policy are:

- Reward reflects the competitive market in which the Company operates
- Individual reward should be linked to performance criteria; and
- Executives should be rewarded for both financial and non-financial performance.

Refer below for details of Executive Directors' remuneration.

#### Non- Executive Directors

Shareholders approve the maximum aggregate remuneration for Non-Executive Directors. The Board recommends the actual payments to directors. The maximum aggregate remuneration approved for non-executive directors is currently \$150,000. All directors are entitled to have any indemnity insurance paid by the Company (currently nil).

The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Refer below for details of Non-Executive Directors' remuneration.

Executives are also entitled to participate in the employee share and option arrangements. Refer to Note 17(b) to the financial report for details of all Directors' share and option holdings.

The Executive Directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

All remuneration paid to Directors and Executives is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

The Board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the Non-Executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently \$150,000). Fees for Non-Executive Directors are not linked to the performance of the Company. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and are able to participate in an employee option plan (none adopted to date).

#### Performance based remuneration

The Company currently has no performance based remuneration component built into Director and Executive remuneration packages.

The Board believes that as the company is in its start up phase of development it is not feasible to establish meaningful Key Performance Indicators from which to base Director and Executive remuneration packages. Once the company is more fully established the Board will reconsider this policy.

#### Company performance, shareholder wealth and directors' and executives' remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and Directors and Executives. Currently, this is facilitated through the issue of options to the majority of Directors and Executives to encourage the alignment of personal and shareholder interests. The company believes this policy will be effective in increasing shareholder wealth. For details of Directors and Executives interests in options at year end, refer to note 17(b) of the financial statements.

## Directors and Executive Officers Emoluments (Key Management Personnel)

### Details of remuneration

Details of the remuneration of the directors and key management personnel of Actinogen Limited are set out below.

The Key Management Personnel of the company are the directors, company secretaries and chief financial officer:

David Zohar (Executive Director and Company Secretary) (resigned as Company Secretary 20 July 2009)

Zhukov Pervan (Executive Chairman)

David Keast (Executive Scientific Director)

Alan Morton (Non-Executive Director)

Christopher Simon England (Non-Executive Director)

Diane Burrows (until 8 October 2008)

Mark Killmier (Chief Financial Officer - from 7 May 2009)(Company Secretary – from 20 July 2009)

### Key Management Personnel Remuneration:

2009 Name	Short Term		Post-employment	Share Based Payments			Value of Share Based payments as a % of total remuneration %
	Cash salary and fees \$	Cash bonus \$	Superannuation \$	Options \$	Shares \$	Total \$	
<b>Directors</b>							
David Alan Zohar	80,000	-	7,200	-	-	87,200	-
Zhukov Pervan	80,007	-	-	-	-	80,007	-
David Keast	39,998	-	112,602	-	-	152,600	-
Alan Morton	-	-	32,700	-	-	32,700	-
Christopher England	30,000	-	-	-	-	30,000	-
<b>Company Secretary</b>							
Diane Burrows <sup>1</sup>	10,983	-	15,688	-	-	26,671	-
<b>Chief Financial Officer / Company Secretary</b>							
Mark Killmier <sup>2</sup>	-	-	-	-	-	-	-
Total	240,988	-	168,190	-	-	409,178	-

<sup>1</sup> On the 3rd of October 2008, Diane Burrows resigned from her duties at Actinogen Limited

<sup>2</sup> Mark Killmier is employed and remunerated by Iron Mountain Mining Ltd. Iron Mountain Mining Ltd charges Actinogen Ltd for the time spent by Mr Killmier on the company's affairs. Mr Killmier's remuneration is reported in the Iron Mountain Mining Ltd annual report.

2008 Name	Short Term		Post-employment	Share Based Payments		Total	Value of Share Based payments as a % of total remuneration %
	Cash salary and fees \$	Cash bonus \$	Superannuation \$	Options \$	Shares \$		
<b>Directors</b>							
David Alan Zohar	57,419	-	5,168	-	277,500	340,087	81.6%
Zhukov Pervan	60,006	-	-	-	-	60,006	-
David Keast	51,815	-	75,711	-	-	127,526	-
Alan Morton	1,532	-	21,937	-	-	23,469	-
Christopher England	15,000	-	-	-	-	15,000	-
<b>Company Secretary</b>							
Diane Burrows	23,333	-	42,067	-	-	65,400	-
Total	209,105	-	144,883	-	-	631,488	43.9%

There are no short term incentive plans in place for Key Management Personnel at any time during the 2008 or 2009 years.

#### Service Agreements and remuneration commitments (audited)

The Company has three executive service agreements that came into affect from the date the Company was granted a listing on the ASX on 16 October 2007. Prof Keast has a two year contract at the rate of \$140,000 per annum plus statutory superannuation entitlements, Mr Zohar has a two year contract at the rate of \$80,000 per annum plus statutory superannuation entitlements and Dr Pervan has a two year contract at the rate of \$80,000 per annum plus statutory superannuation entitlements. Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to the base salary for the remaining term of the agreement.

As at 30 June 2009, the outstanding commitments under the above mentioned agreements to the key management personnel are as follows:

	Prof Keast \$	Mr Zohar \$	Dr Pervan \$	Total \$
Due within 1 year	43,072	24,613	21,794	89,479
Total	43,072	24,613	21,794	89,479

As at 30 June 2008, the outstanding commitments under the above mentioned agreements to the key management personnel are as follows:

	Prof Keast \$	Mr Zohar \$	Dr Pervan \$	Total \$
Due within 1 year	152,600	87,200	87,200	327,000
Due 1 to 2 years	43,072	24,613	21,794	89,479
Total	195,672	111,813	108,994	416,479

### Share Based Compensation

The terms and conditions of each grant of options affecting remuneration in the previous periods is as follows:

Director	Options issued as compensation	Grant Date/date vested and exercisable	Value per option at grant date (cents)	Value at grant date	Exercise price (cents)	Expiry date	Unvested Options 2009
David Alan Zohar	11,750,000	1/8/2007	15.95	1,875,544	50	1/8/2012	-
Zhukov Pervan	11,750,000	1/8/2007	15.95	1,875,544	50	1/8/2012	-
David Keast	5,000,000	1/8/2007	15.95	798,104	50	1/8/2012	-

The weighted average fair value of the options issued to the directors of the Company was 15.95 cents. The price was calculated using a Black Scholes option pricing model applying the following inputs:

Weighted average exercise price	50 cents
Weighted average life of the options	5.09 years
Underlying share price	50 cents
Expected volatility	70%
Risk free interest rate	6.40%

No options were granted, exercised, vested or forfeited during the year.

### Additional Information

The table below sets out the performance of the company and the consequences of performance on shareholders' wealth for the period from listing on the Australian Securities Exchange on 16 October 2007 to the end of the current financial period.

	2009	2008	2007
Quoted price of ordinary shares at period end (cents)	8.0	6.0	50 <sup>1</sup>
Quoted price of options at period end (cents)	0.2	1.1	- <sup>2</sup>
Loss per share	2.21	1.15	20.26
Dividends paid	-	-	-

### Notes

1. Quoted price for 2007 refers to the price at which shares were offered under the company's Initial Public Offer.
2. As part of the initial public offer, subscribers were entitled to 1 free option for every 2 shares subscribed to.
3. Information is not disclosed for 2006 years and prior as the company was not listed and its securities were not widely available for sale.

**Securitisation Policy**

Actinogen Limited's security trading policy provides guidance on acceptable transactions in dealing in the Company's various securities, including shares, debt notes and options. Actinogen Limited's security trading policy defines dealing in company securities to include:

- (a) Subscribing for, purchasing or selling Company Securities or entering into an agreement to do any of those things;
- (b) Advising, procuring or encouraging another person (including a family member, friend, associate, colleague, family company or family trust) to trade in Company Securities; and
- (c) Entering into agreements or transactions which operate to limit the economic risk of a person's holdings in Company Securities.

The securities trading policy details acceptable and unacceptable times for trading in Company Securities including detailing potential civil and criminal penalties for misuse of "inside information". The Directors must not deal in Company Securities without providing written notification to the Chairman. The Chairman must not deal in Company Securities without the prior approval of the Chief Executive Officer. The Directors are responsible for disclosure to the market of all transactions or contracts involving the Company's shares.

The Actinogen Limited Employee Option Plan rules contain a restriction on removing the 'at risk' aspect of the options granted to key management personnel and executives. Participants in the Actinogen Limited Employee Option Plan may not enter into derivative transactions with third parties to eliminate the performance element of the options. This rule is enforced via an annual declaration of compliance by all option plan participants.

**End of Audited Remuneration Report**

**Shares under option**

Unissued ordinary shares of Actinogen Limited under options at the date of this report are as follows:

Date options granted	Expiry Date	Issue price of shares	Number under option
30 June 2007	1 August 2012	50 cents	34,305,000

No option holder has any right under the options to participate in any other share issue of the company.

**Meetings of directors**

The following table sets out the number of meetings of the Company's Directors held while each Director was in the office and the number of meetings attended by each Director.

Director attended	Number of meeting available to attend	Number of meetings attended
D Zohar	4	4
Z Pervan	4	4
D Keast	4	4
A Morton	4	4
S England	4	4

**Indemnifying officer or auditor**

The company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the company or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

### Proceedings on behalf of the company

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

The Company was not a party to any such proceedings during the year.

### Non-audit services

The board of Directors is satisfied that the provision of non-audit related services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that any non-audit related services provided do not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Fees were paid for non-audit services to the external auditors and their associated entities during the year ended 30 June 2009 and 30 June 2008 were as follows:

BDO Kendalls Corporate Finance (WA) Pty Ltd	2009 \$	2008 \$
Investigating Accountants Report	-	7,304

### Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 for the year ended 30 June 2009 has been received and can be found on page 43.

Signed in accordance with a resolution of the Board of Directors.

**Dr Zhukov Pervan**

*Executive Chairman*  
Perth, Western Australia  
31 August 2009



## Income Statement for the year ending 30 June 2009

	Notes	2009 \$	2008 \$
Revenue from continuing operations	4	128,126	155,875
Employee Benefits expense		(504,746)	(422,741)
Administration expenses		(171,992)	(108,159)
Laboratory expenses		(219,199)	(17,553)
Other expenses		-	(41,463)
Finance Costs		(57)	-
Depreciation		(13,825)	(1,617)
Impairment losses – financial assets		<u>(297,000)</u>	<u>-</u>
(Loss) before income tax		(1,078,693)	(435,658)
Income tax benefit / (expense)	5	<u>151,751</u>	<u>-</u>
(Loss) for year		<u><u>(926,942)</u></u>	<u><u>(435,658)</u></u>
Basic and diluted loss per share (cents per share)	15	(2.32)	(1.15)

The above income statement should be read in conjunction with the accompanying notes.

## Balance Sheet for the year ending 30 June 2009

	Notes	2009 \$	2008 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	1,849,668	2,541,159
Trade and other receivables	7	10,967	57,126
<b>TOTAL CURRENT ASSETS</b>		<u>1,860,635</u>	<u>2,598,285</u>
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	8	105,985	13,221
Available for sale financial assets	9	25,000	330,000
Intangible assets	10	16,029	-
<b>TOTAL NON CURRENT ASSETS</b>		<u>147,014</u>	<u>343,221</u>
<b>TOTAL ASSETS</b>		<u>2,007,649</u>	<u>2,941,506</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	102,786	78,654
Provisions	12	2,633	3,680
<b>TOTAL CURRENT LIABILITIES</b>		<u>105,419</u>	<u>82,334</u>
<b>NET ASSETS</b>		<u>1,902,230</u>	<u>2,859,172</u>
<b>EQUITY</b>			
Contributed equity	13	4,322,640	4,322,640
Reserves	14	4,788,623	4,818,623
Accumulated losses		(7,209,033)	(6,282,091)
<b>TOTAL EQUITY</b>		<u>1,902,230</u>	<u>2,859,172</u>

The above balance sheet should be read in conjunction with the accompanying notes.



## Cash Flow Statement for the year ending 30 June 2009

	Notes	2009 \$	2008 \$
<b>Cash flow from operating activities</b>			
Interest received		102,537	142,236
Receipts from customers		39,148	10,057
Payments to suppliers		(840,310)	(549,516)
Research and development tax offset		151,751	-
		<u>                    </u>	<u>                    </u>
<b>Net cash (outflow) from operating activities</b>	19	<u>(546,874)</u>	<u>(397,223)</u>
<b>Cash flow from investing activities</b>			
Payment for property, plant & equipment		(106,588)	(9,073)
Payment for intangible asset		(16,029)	-
Payments for available for sale financial assets		-	(300,000)
Loans to related parties		(22,000)	-
		<u>                    </u>	<u>                    </u>
<b>Net cash (outflow) from investing activities</b>		<u>(144,617)</u>	<u>(309,073)</u>
<b>Cash flow from financing activities</b>			
Proceeds from share issues		-	3,807,500
Payment for share issue costs		-	(586,613)
		<u>                    </u>	<u>                    </u>
<b>Net cash inflow from financing activities</b>		<u>-</u>	<u>3,220,887</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		(691,491)	2,514,591
Cash and cash equivalents at beginning of year		2,541,159	26,568
		<u>                    </u>	<u>                    </u>
<b>Cash and cash equivalents at end of year</b>	6	<u>1,849,668</u>	<u>2,541,159</u>

The above cash flow statement should be read in conjunction with the accompanying notes.

## Statement of Changes in Equity for the year ending 30 June 2009

	Contributed Equity \$	Accumulated (Losses) \$	Reserves \$	Total \$
<b>2008</b>				
Balance 1 July 2007	1,266,250	(5,846,433)	4,788,623	208,440
Changes in the fair value of available for sale financial assets	-	-	30,000	30,000
<b>Net income recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>30,000</b>	<b>30,000</b>
(Loss) for Year	-	(435,658)	-	(435,658)
<b>Total recognised income and expense for the year</b>	<b>-</b>	<b>(435,658)</b>	<b>30,000</b>	<b>(405,658)</b>
<b>Transactions with equity holders in their capacity as equity holders:</b>				
Shares issued during the year	4,085,000	-	-	4,085,000
Capital raising costs	(1,028,610)	-	-	(1,028,610)
Options issued for services	-	-	-	-
<b>Balance at 30 June 2008</b>	<b>4,322,640</b>	<b>(6,282,091)</b>	<b>4,818,623</b>	<b>2,859,172</b>
<b>2009</b>				
Balance 1 July 2008	4,322,640	(6,282,091)	4,818,623	2,859,172
Changes in the fair value of available for sale financial assets	-	-	(30,000)	(30,000)
<b>Net income recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>(30,000)</b>	<b>(30,000)</b>
(Loss) for Year	-	(926,942)	-	(926,942)
<b>Total recognised income and expense for the year</b>	<b>-</b>	<b>(926,942)</b>	<b>(30,000)</b>	<b>(956,942)</b>
<b>Balance at 30 June 2009</b>	<b>4,322,640</b>	<b>(7,209,033)</b>	<b>4,788,623</b>	<b>1,902,230</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes.



## Notes to the Financial Statements for the year ending 30 June 2009

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001. The financial statements have been prepared on a going concern basis.

#### Compliance with IFRS

The financial report of Actinogen Limited also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value.

#### Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

#### (b) Impairment of assets

At each reporting date, the Company reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates

the recoverable amount of the cash-generating unit to which the asset belongs.

#### (c) Property, Plant & Equipment

Each asset of property, plant and equipment is carried at cost, less where applicable, any accumulated depreciation and impairment losses. Plant and equipment are measured on the cost basis less depreciation and impairment losses.

##### *Depreciation*

Items of property, plant and equipment are depreciated using the diminishing value method over their estimated useful lives to the Company. The depreciation rates used for each class of asset for the current period are as follows:

- Plant and Equipment 7.5% to 37.5%

Assets are depreciated from the date the asset is ready for use. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet 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. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the assets continual use or subsequent disposal. The expected cash flows have been discounted to their present value in determining the recoverable amount.

#### (d) Intangible Assets

##### *(i) Scientific databases*

Expenditure incurred upon the acquisition of scientific databases is capitalised as an intangible asset. Scientific databases are not amortised as it is considered that they have an indefinite useful life. Scientific databases are tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less impairment losses.

#### (e) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences

arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement

except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

The company's entitlement to the Research and Development tax rebate is recognised as a tax benefit upon receipt from the Australian Taxation Office.

#### (f) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

#### (g) Share-based payments

The Company provides benefits to employees (including directors) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'). The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

The fair value is determined by an internal valuation using a Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion

of the directors of the company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

#### (h) Cash and Cash Equivalents

For the purpose of the Cash Flow Statement, cash includes cash on hand and in banks, and money market investments readily convertible to cash within three months, net of outstanding bank overdrafts.

#### (i) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Services revenue is recognised upon issue of an invoice.

#### (j) Trade and other Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the income statement within impairment losses – financial assets. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

#### (k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST 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 balance sheet are shown inclusive of GST.

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

#### (l) Contributed Equity

Ordinary issued share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction in share proceeds received.

#### (m) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company. Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

#### (n) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

#### (o) Earnings per share

##### (i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

##### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

#### (p) Investments and other financial assets

##### Recognition

Financial instruments are initially measured at fair value on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

##### Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

##### Loans and receivables

Loans and receivables are non-derivative financial assets initially recognised at fair value with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

##### Impairment

The Company assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

If there is evidence of impairment for any of the Company's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the income statement.

**(q) Segment reporting**

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

**(r) Comparative figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Comparatives are shown for the year ended 30 June 2008.

**(s) New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below.

**(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 (effective from 1 January 2009)**

AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Company will adopt AASB 8 from 1 July 2009. This may result in an increase in the number of reportable segments presented. In addition, the segments will be reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

**(ii) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 (effective from 1 January 2009)**

The revised AASB 123 has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There is not anticipated to be a material impact on the Company's financial statements resulting from the introduction of this revised standard.

**(iii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 (effective from 1 January 2009)**

The September 2007 revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Company will apply the revised standard from 1 July 2009.

**(iv) AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations (effective from 1 January 2009)**

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Company will apply the revised standard from 1 July 2009, but it is not expected to affect the accounting for the Company's share-based payments.

**(v) Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (effective 1 July 2009)**

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed.

The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss.

The Company will apply the revised standards prospectively to all business combinations and transactions with non-controlling interests from 1 July 2009.

**(vi) AASB 2009-2 Amendments to Australian Accounting Standard - Improving disclosures about financial instruments (effective from 1 January 2009).**

As this is a disclosure standard only, there will be no impact on amounts in financial statements. However, additional disclosures will be required about fair value of financial instruments and the company's liquidity risk.

## 2. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk, (including interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk in these areas is not significant enough to warrant a formalised specific risk management program.

Risk management is carried out by the Board in their day to day function as the overseers of the business.

The Company holds the following financial instruments:

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Financial Assets		
Cash and cash equivalents	1,849,668	2,541,159
Trade and other receivables	10,967	54,263
Other financial assets	25,000	330,000
	<u>1,885,635</u>	<u>2,925,422</u>
Financial Liabilities		
Trade and other payables	14,258	10,620
	<u>14,258</u>	<u>10,620</u>

### (a) Market Risk

#### (i) Foreign Exchange Risk

The Company's operations are limited to domestic activities within Australia.

#### *Company sensitivity*

The Company's profit would not be impacted by changes in exchange rates.

#### (ii) Price risk

The Company is exposed to equity securities price risk. This arises from investments held by the Company and classified on the balance sheet as available-for-sale. The Company is not exposed to commodity price risk.

The majority of the Company's equity investments are publicly traded and are listed on the Australian Securities Exchange.

The company manages equity securities price risk by only investing in companies where the Board has a detailed understanding of its financial and operating position.

The next table summarises the impact of increases/decreases of the all ordinaries index on the Company's post-tax profit for the year and on equity. The analysis is based on the assumption that the all ordinaries index had decreased by 26% (2008 – 15.5%) (being the actual movement in the all ordinaries index for those periods) with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index.

	<b>Impact on Post Tax Profit</b>		<b>Impact on Equity</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
All ordinaries	197,090	-	219,299	(53,235)

Post tax profit and equity would increase/decrease as a result of gains/losses on equity securities classified as available-for-sale.

Given the nature of the financial assets, the Directors believe the all ordinaries index is the most appropriate benchmark to measure the sensitivity of the price risk of the company's listed financial investments, however it should be noted that the maximum negative impact on net profit is \$25,000.

*(iii) Cash flow interest rate risk*

The Company's main interest rate risk arises from funds held on deposit. Funds on deposit at variable rates expose the Company to cash flow interest rate risk. During 2008 and 2009, the Company's funds on deposit were denominated in Australian Dollars only.

As at the reporting date, the Company had the following funds on deposit:

	30 June 2009		30 June 2008	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Funds on deposit	4.79	1,849,668	4.49	2,541,159

## Company sensitivity

At 30 June 2009, if interest rates had changed by +/- 100/70 basis points (2008: +/- 80 basis points) from the year-end rates with all other variables held constant, post-tax loss for the year would have been \$21,333/\$15,090 lower/higher (2008 – change of 80 bps: \$25,359 lower/higher), mainly as a result of higher/lower interest income from cash and cash equivalents. Equity would have been \$21,333/\$15,090 lower/higher (2008 - \$25,359 lower/higher) mainly as a result of a lower/higher interest income from cash and cash equivalent.

**(b) Credit risk**

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and receivables.

The Company's maximum exposure to credit risk at the reporting date was:

	2009 \$	2008 \$
Financial Assets		
Cash and cash equivalents	1,849,668	2,541,159
Trade and other receivables	10,967	54,263
Total	<u>1,860,635</u>	<u>2,595,422</u>

The Directors believe that there is negligible credit risk with the cash and cash equivalents, as funds are held at call with a reputable Australian Banking institution.

Other Receivables relate mainly to tax refunds due from the Australian Taxation Office and accordingly are considered fully recoverable.

**(c) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows. Surplus funds are generally only invested at call or in bank bills that are highly liquid and with maturities of less than six months.

*Financing arrangements*

The company does not have any financing arrangements.

*Maturities of financial liabilities*

The company's only debt relates to trade payables, where payments are generally within 30 days.

**(d) Fair Value Estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid prices at the end of the financial year.

The carrying value of trade receivables and trade payables are assumed to approximate their fair value due to their short-term nature.

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS***Key estimates-impairment*

The Company 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.

During the year ended 30 June 2009, the Company made significant judgement about the impairment of a number of its available-for-sale financial assets.

The Company follows the guidance of AASB 139 Financial Instruments: Recognition and Measurement on determining when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and near term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

The decline in fair value below cost for some of these assets has been considered to be significant and/or prolonged. The Company has recorded an impairment loss during the year ended 30 June 2009, being the transfer of the accumulated fair value adjustments to the income statement.

**4. REVENUE**

	<b>2009</b>	<b>2008</b>
	\$	\$
Revenue from continuing operations:		
Sales revenue – services	25,589	13,639
Interest received from bank	102,537	142,236
	<u>128,126</u>	<u>155,875</u>

**5. INCOME TAX**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Operating loss before income tax	(1,078,693)	(435,658)
Prima facie tax benefit at 30% (2008: 30%)	(323,608)	(130,697)
Tax effect of:		
Provisions and accruals	8,881	5,419
Non deductible expenses	-	739
Share options expensed during the year	-	-
Capital raising costs	(45,328)	(46,014)
Research and development tax offset	151,751	-
Future income tax benefit not brought to account	360,055	170,553
Income tax benefit / (expense)	<u>151,751</u>	<u>-</u>
Income Tax Loss		
Deferred tax asset arising from tax losses of the Company not brought to account at balance date as realisation of the benefit is not regarded as probable	<u>608,993</u>	<u>407,383</u>

The benefit for tax losses will only be obtained if:

- (i) the entity derives future assessable income of a nature and amount sufficient to enable the benefit from the tax losses to be realised;
- (ii) the entity continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) no changes in tax legislation adversely affect the entity realising the benefit from the deductions for the losses.

**Deferred Tax Assets**

Deferred Tax Assets (at 30%) not brought to account as at 30 June 2009 are made up of:

- Tax Losses	608,993	407,383
- Provisions and accruals	17,290	8,409
- Capital raising costs	125,588	169,259
	<u>751,871</u>	<u>585,051</u>

**6. CASH AND EQUIVALENTS**

Cash at bank and in hand	1,849,668	2,541,159
	<u>1,849,668</u>	<u>2,541,159</u>

For the purposes of the Cash Flow Statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

## 7. TRADE AND OTHER RECEIVABLES

	2009	2008
	\$	\$
Other receivables	22,000	11,000
- Impairment of receivables	(22,000)	-
Goods and services tax refund	9,606	43,263
Prepayments	1,361	2,863
	<u>10,967</u>	<u>57,126</u>

Refer to Note 2 for Financial Risk Management.

There are no receivables that are past due but not impaired.

(a) Impaired other receivables

As at 30 June 2009 current other receivables of the company with a nominal value of \$22,000 (2008: nil) were impaired. The amount of the provision was \$22,000 (2008: nil). The individually impaired receivables relate to a related party company that was in and has recently exited administration. It was assessed that this receivable will not be recovered.

Movements in the provision for impairment of receivables are as follows:

At 1 July	-	-
Provision for impairment recognised during the year	22,000	-
	<u>22,000</u>	<u>-</u>

The creation and release of the provision for impaired receivables has been included in 'impairment loss – financial assets' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

## 8. PROPERTY, PLANT AND EQUIPMENT

Plant & Equipment		
At cost	122,659	16,070
Accumulated depreciation	(16,674)	(2,849)
	<u>105,985</u>	<u>13,221</u>

## MOVEMENTS DURING THE YEAR

	Plant and Equipment	Total
<b>Balance at 1 July 2008</b>	13,221	13,221
Acquisitions	106,589	106,589
Depreciation expense	(13,825)	(13,825)
<b>Balance at 30 June 2009</b>	<u>105,985</u>	<u>105,985</u>
	<b>Plant and Equipment</b>	<b>Total</b>
<b>Balance at 1 July 2007</b>	5,765	5,765
Acquisitions	9,073	9,073
Depreciation expense	(1,617)	(1,617)
<b>Balance at 30 June 2008</b>	<u>13,221</u>	<u>13,221</u>

**9. AVAILABLE FOR SALE FINANCIAL ASSETS**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Shares in listed corporations	25,000	180,000
Shares in unlisted corporations	-	150,000
	<u>25,000</u>	<u>330,000</u>
At beginning of year	330,000	-
Acquisitions	-	300,000
Fair value adjustment	(30,000)	30,000
Impairment of available for sale financial assets	(275,000)	-
At end of year	<u>25,000</u>	<u>330,000</u>

Fair value of investments in listed corporations is assessed as the last bid price on the Australian Securities Exchange prior to close of business on balance date. The fair value of the listed investments is considered impaired given the significant decline in fair value during the half year.

Listed investments are held in Eagle Nickel Limited, being Director related entities.

The unlisted investment is ordinary shares in Aluminex Limited, a director related entity. Aluminex Resources Ltd has recently been removed from administration and is subject to an off-market take over offer from Iron Mountain Mining Ltd. Accordingly the fair value has been assessed as nil. An impairment charge of \$275,000 has been made to the income statement in respect of listed and unlisted investments.

**10. INTANGIBLE ASSETS**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Cost	16,029	-
Accumulated amortisation and impairment	-	-
	<u>16,029</u>	<u>-</u>
<b>Movements during the year</b>	<b>Software<sup>1</sup></b>	<b>Total</b>
<b>Balance at 1 July 2008</b>	-	-
Acquisitions	16,029	16,029
Amortisation and impairment expense	- <sup>2</sup>	-
<b>Balance at 30 June 2009</b>	<u>16,029</u>	<u>16,029</u>

<sup>1</sup> Software relates to the purchase of a large scientific data base and library.

<sup>2</sup> Intangible assets have been assessed as having indefinite useful lives. It is expected that the database will have indefinite application and the scientific library will not become obsolete. The information will be useful to the company for the duration of the company's future projects. It is anticipated that the future cost savings achievable from access to the information contained in the database will exceed the carrying value at balance date.

**11. TRADE AND OTHER PAYABLES**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Trade payables	14,258	10,620
Other payables and accruals	88,528	68,034
	<u>102,786</u>	<u>78,654</u>

Refer to Note 2 for Financial Risk Management.

**12. PROVISIONS**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Annual Leave	2,633	3,680
	<u>2,633</u>	<u>3,680</u>

**13. CONTRIBUTED EQUITY****(a) Share Capital**

39,869,998 (2008: 39,869,998) fully paid ordinary shares	5,351,250	5,351,250
Capital raising costs	(1,028,610)	(1,028,610)
Total contributed equity	<u>4,332,640</u>	<u>4,322,640</u>

**(b) Movement of fully paid ordinary shares during the period were as follows:**

<b>Date</b>	<b>Details</b>	<b>Number of Shares</b>	<b>Issue Price (cents)</b>	<b>\$</b>
1 July 2006	Opening Balance	26,064,998		495,000
19 September 2006	Share Issue	400,000	10	40,000
21 September 2006	Share Issue	200,000	10	20,000
26 September 2006	Share Issue	200,000	10	20,000
28 September 2006	Share Issue	200,000	10	20,000
13 October 2006	Share Issue	700,000	10	70,000
19 October 2006	Share Issue	2,100,000	10	210,000
23 October 2006	Share Issue	250,000	10	25,000
26 October 2006	Share Issue	100,000	10	10,000
27 October 2006	Share Issue	820,000	25	205,000
27 February 2007	Share Issue	360,000	25	90,000
6 March 2007	Share Issue	120,000	25	30,000
14 March 2007	Share Issue	125,000	25	31,250
30 June 2007	Balance	<u>31,639,998</u>		<u>1,266,250</u>
31 July 2007	Share Issue	120,000	25	30,000
4 October 2007	Initial Public Offer	<u>8,110,000</u>	50	<u>4,055,000</u>
30 June 2009	Balance	<u>39,869,998</u>		<u>5,351,250</u>

**(c) Share Options**

The Company has on issue 34,305,000 options with an exercise price of 50 cents and expiry date of 1 August 2012.

**(d) Terms and Conditions of Issued Capital**

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has a vote on a show of hands. Ordinary shares have no par value.

**(e) Capital risk management**

The company's objectives when managing capital are to safeguard its ability to continue as a going concern, so it can provide returns to shareholders and benefits to other stakeholders. The Company considers capital to consist of cash reserves on hand and available for sale financial assets.

Consistent with the company's objective, it manages working capital by issuing new shares, selling assets or modifying its planned research and development program as required.

**14. RESERVES**

Reserves are made up of the options reserve and the movement in the fair value of available for sale investments reserve.

The option reserve records items recognised as expenses on valuation of employee and Director share options. The available for sale investments revaluation reserve records the movement in the fair value of available for sale investments. Detail of the movement in reserves is shown below.

	<b>2009</b>	<b>2008</b>
	\$	\$
<b>Option Reserve</b>		
Balance at the beginning of the year	4,788,623	4,788,623
Increase on option based payments	-	-
Balance at end of year	<u>4,788,623</u>	<u>4,788,623</u>
<b>Available for sale investments revaluation reserve</b>		
Balance at the beginning of the year	30,000	-
Change in fair value	(30,000)	30,000
Balance at end of year	<u>-</u>	<u>30,000</u>

**15. EARNINGS PER SHARE**

	<b>2009</b>	<b>2008</b>
Basic loss per share (cents)	2.32	1.15
The options are not considered dilutive and therefore no diluted earnings per share is disclosed.		
Weighted average number of ordinary shares used as the denominator		
Net loss used in calculating EPS	\$(926,942)	\$(435,658)

**16. COMMITMENTS****Remuneration Commitments****Service Agreements and remuneration commitments**

The Company has three executive service agreements that came into affect from the date the Company was granted a listing on the ASX on 16 October 2007. Prof Keast has a two year contract at the rate of \$140,000 per annum plus statutory superannuation entitlements. Mr Zohar has a two year contract at the rate of \$80,000 per annum plus statutory superannuation entitlements and Dr Pervan has a two year contract at the rate of \$80,000 per annum plus statutory superannuation entitlements.

As at 30 June 2009, the outstanding commitments under the above mentioned agreements to the key management personnel are as follows:

	<b>Prof Keast</b>	<b>Mr Zohar</b>	<b>Dr Pervan</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Due within 1 year	43,072	24,613	21,794	89,479
<b>Total</b>	<b>43,072</b>	<b>24,613</b>	<b>21,794</b>	<b>89,479</b>

As at 30 June 2008, the outstanding commitments under the above mention agreements to the key management personnel are as follows:

	<b>Prof Keast</b>	<b>Mr Zohar</b>	<b>Dr Pervan</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Due within 1 year	152,600	87,200	87,200	327,000
Due 1 to 2 years	43,072	24,613	21,794	89,479
<b>Total</b>	<b>195,672</b>	<b>111,813</b>	<b>108,994</b>	<b>416,479</b>

The company does not have any commitments for future expenditure other than normal operating expenses. The directors are not aware of any contingent liabilities existing for the company.

**17. KEY MANAGEMENT PERSONNEL DISCLOSURES****(a) Key Management Personnel Compensation:**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	240,988	209,105
Post employment benefits	168,190	144,883
Long-term benefits	-	-
Termination benefits	-	-
Share-based payment	-	277,500
	<b>409,178</b>	<b>631,488</b>

The detailed remuneration disclosures are provided in the audited remuneration report on pages 12 to 16.

**(b) Equity Instruments Disclosure relating to key management personnel**

At balance date the relevant interest of each Key Management Personnel in ordinary fully paid shares and options of the Company were:

**2009**

<b>Director/KMP</b>	<b>Fully Paid Ordinary Shares</b>			<b>Balance at 30 June 2009</b>
	<b>Balance at beginning of the year</b>	<b>Shares Issued as compensation</b>	<b>Net change other<sup>1</sup></b>	
<b>Directors</b>				
David Alan Zohar	7,283,334	-	195,000 <sup>2</sup>	7,478,334
Zhukov Pervan	7,133,334	-	-	7,133,334
David Keast	3,733,333	-	-	3,733,333
Alan Morton	666,666	-	-	666,666
Christopher Simon England	500,000	-	-	500,000
<b>Company Secretary</b>				
Diane Burrows	-	-	-	-
<b>Chief Financial Officer / Company Secretary</b>				
Mark Killmier	-	-	-	-
<b>Total</b>	<b>19,316,667</b>	<b>-</b>	<b>195,000</b>	<b>19,511,667</b>

1. No fully paid ordinary shares are held nominally.
2. Denotes shares purchased on market by David Alan Zohar.

**2008**

<b>Director/KMP</b>	<b>Fully Paid Ordinary Shares</b>			<b>Balance at 30 June 2008</b>
	<b>Balance at beginning of the year</b>	<b>Shares Issued as compensation</b>	<b>Net change other<sup>1</sup></b>	
<b>Directors</b>				
David Alan Zohar	7,133,335	555,000	(405,001)	7,283,334
Zhukov Pervan	7,133,334	-	-	7,133,334
David Keast	3,733,333	-	-	3,733,333
Alan Morton	-	-	666,666	666,666
Christopher Simon England	-	-	500,000	500,000
<b>Company Secretary</b>				
Diane Burrows	-	-	-	-
<b>Total</b>	<b>18,000,002</b>	<b>555,000</b>	<b>761,665</b>	<b>19,316,667</b>

1. Relates to shares not issued as remuneration, but are disclosed to indicate shares owned prior to becoming a director of Actinogen Limited, or transferred/purchased/sold on or off market to non-associated or connected entities.
2. No fully paid ordinary shares are held nominally.

## 2009

Director/KMP	Share Options			Balance at 30 June 2009
	Balance at beginning of the year	Options Issued as Compensation	Net change other <sup>1</sup>	
<b>Directors</b>				
David Alan Zohar	11,750,000	-	-	11,750,000
Zhukov Pervan	11,750,000	-	-	11,750,000
David Keast	5,000,000	-	-	5,000,000
Alan Morton	1,000,000	-	-	1,000,000
Christopher Simon England	-	-	-	-
<b>Company Secretary</b>				
Diane Burrows	-	-	-	-
<b>Chief Financial Officer / Company Secretary</b>				
Mark Killmier	-	-	-	-
Total	29,500,000	-	-	29,500,000

1. All options are vested and exercisable.

## 2008

Director/KMP	Share Options			Balance at 30 June 2008
	Balance at beginning of the year	Options Issued as Compensation	Net change other <sup>1</sup>	
<b>Directors</b>				
David Alan Zohar	11,750,000	-	-	11,750,000
Zhukov Pervan	11,750,000	-	-	11,750,000
David Keast	5,000,000	-	-	5,000,000
Alan Morton	-	-	1,000,000	1,000,000
Christopher Simon England	-	-	-	-
<b>Company Secretary</b>				
Diane Burrows	-	-	-	-
Total	28,500,000	-	1,000,000	29,500,000

1. Relates to options not issued as remuneration, but are disclosed to indicate options owned prior to becoming a director of Actinogen Limited and/or purchased/sold on market.

2. All options are vested and exercisable.

Other transactions and balances with key management personnel disclosed in note 18.

## 18. RELATED PARTY TRANSACTIONS

### (a) Remuneration of key Management Personnel.

Discussions relating to key management personnel are set out in Note 17.

### (b) Transactions with related parties

The following related party transactions occurred during the financial year with Director related entities.

The company acquired administration support services and the use of rental premises and facilities from Iron Mountain Mining Ltd a director related entity of David Zohar. Costs incurred were \$15,943 (excl GST) during the year ended 30 June 2009 of which nil is outstanding at year end.

The company acquired administration support services from United Orogen Ltd Ltd, a director related entity of David Zohar. Costs incurred were \$15,712 (excl GST) during the year ended 30 June 2009 of which nil is outstanding at year end.

During the year the company provided secretarial services to Eagle Nickel Ltd, Iron Mountain Mining Ltd and Red River Resources Ltd. Total amounts paid (GST exclusive) to Actinogen Ltd during the year ended 30 June 2009 are as follows:

	\$
Eagle Nickel Ltd	10,000
Iron Mountain Mining Ltd	7,798
Red River Resources Ltd	7,798
Total	<u>25,596</u>

No amounts were outstanding at year end.

The company held available for sale financial assets during the financial year in the following related parties:

- 500,000 shares and 250,000 options in Eagle Nickel Ltd, a director related entity of David Zohar and Dr Pervan. These shares and options were on hand at year end. The cost of these shares and options was \$150,000 and the fair value at year end was \$25,000 (2008: \$180,000).
- The company holds 720,000 shares in Aluminex Resources Ltd, an unlisted public company related to David Zohar. These shares were acquired during the year ended 30 June 2008 for the cost of \$150,000. The company is currently subject to a takeover bid from another Director related company, Iron Mountain Mining Limited. The fair value at year end was nil (2008: \$150,000).

During the year the company made a loan of \$22,000 to Aluminex Resources Ltd. This amount has been impaired in full as the recoverability of the full amounts has become uncertain pursuant to Aluminex Resources Ltd entering and exiting administration.

During the year wages of \$4,000 were paid to Shoshanna Zohar, a related party of David Zohar.

#### 19. RECONCILIATION OF THE OPERATING (LOSS) AFTER TAX TO THE NET CASHFLOWS FROM OPERATING ACTIVITIES

	2009	2008
	\$	\$
Loss for the year	(880,174)	(435,658)
Non cash items:		
Depreciation	13,825	1,617
Impairment expenses	297,000	-
Change in assets and liabilities		
Increase/(Decrease) in trade creditors and accruals	(27,313)	40,065
Increase/(Decrease) in provisions	(1,047)	3,680
(Increase) in amounts owed		
- by related parties	-	8,308
(Increase)/Decrease in receivables	50,837	(15,235)
Net cash outflow from operating activities	<u>(546,874)</u>	<u>(397,223)</u>

#### Non cash financing & investing activities

There were no non-cash financing and investing activities during the year ended 30 June 2009.

#### Financing facilities available

As at 30 June 2009 the Company had no financing facilities available.

**20. SHARE – BASED PAYMENTS**

The following share based payments existed at 30 June 2009.

28,500,000 options were issued to the directors of the Company with an exercise price of 50 cents and a term of 5.09 years.

	2009		2008	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at the beginning of the year	28,500,000	50 cents	28,500,000	50 cents
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at year end	28,500,000	50 cents	28,500,000	50 cents
Exercisable at year end	28,500,000	50 cents	28,500,000	50 cents

The weighted average fair value of the options issued to the directors of the Company was 15.95 cents. The price was calculated using a Black Scholes option pricing model applying the following inputs:

Weighted average exercise price	50 cents
Weighted average life of the options	5.09 years
Underlying share price	50 cents
Expected volatility	70%
Risk free interest rate	6.40%

555,000 ordinary shares were issued to nominees of Swancove Enterprises Pty Ltd (a director related entity) on 4 October 2007 at a total value of \$277,500. This share issue was in consideration of capital raising costs incurred by the company.

**21. CONTINGENT LIABILITIES**

The Directors are not aware of any contingent liabilities as at 30 June 2009.

**22. AUDITORS' REMUNERATION**

The Directors are not aware of any contingent liabilities as at 30 June 2009.

	2009	2008
	\$	\$
Amounts paid or payable to the auditors of Actinogen Limited for:		
- an audit or review of the financial statements of the entity	24,590	46,046
- Investigating Accountants Report	-	7,304
	24,590	53,350

**23. SEGMENT INFORMATION**

The Company operates in the biotechnology industry in Australia only.

**24. EVENTS OCCURRING AFTER BALANCE SHEET DATE**

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the entity, the results of those operations, or the state of the entity in subsequent financial years.

## Directors' Declaration

### In the Directors opinion:

1. The financial statements and notes set out on pages 20 to 42, are in accordance with the Corporations Act 2001 including:
  - (a) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (b) giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date.and
2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. The remuneration disclosure included in the audited Remuneration Report in the Director's Report comply with Section 300A of the Corporations Act 2001.
4. The directors have been given the declaration by the managing director, David Keast, as required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and behalf of the directors by:



Dr Zhukov Pervan

**Executive Chairman**

31 August 2009  
Perth, Western Australia



## Auditor's Independence Declaration



BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd  
128 Hay Street  
SUBIACO WA 6008  
PO Box 700  
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Phone 61 8 9380 8400  
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www.bdo.com.au

ABN 79 112 284 787

31 August 2009

The Directors  
Actinogen Limited  
Level 7  
231 Adelaide Terrace  
PERTH WA 6000

Dear Sirs

### **DECLARATION OF INDEPENDENCE BY CHRIS BURTON TO THE DIRECTORS OF ACTINOGEN LIMITED**

As lead auditor of Actinogen Limited for the year ended 30 June 2009, 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.

**Chris Burton**  
Director

*BDO Kendalls*

**BDO Kendalls Audit & Assurance (WA) Pty Ltd**  
Perth, Western Australia.

# Auditor's Report



BDO Kendalls

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ACTINOGEN LIMITED

We have audited the accompanying financial report of Actinogen Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *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* would be in the same terms if it had been given to the directors at exactly the same time that this auditor's report was made.

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*Auditor's Opinion*

In our opinion:

- (a) the financial report of Actinogen Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2009. 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.

*Auditor's Opinion*

In our opinion, the Remuneration Report of Actinogen Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

**BDO Kendalls Audit & Assurance (WA) Pty Ltd**

BDO Kendalls

A handwritten signature in black ink that reads 'C Burton'.

**Chris Burton**  
Director

Dated this 31<sup>st</sup> day of August 2009  
Perth, Western Australia

## ASX Information

### Substantial Shareholders

The substantial shareholders as at 28 September 2009 were:

Substantial Shareholder	Number Held	Percentage
DR ZHUKOV PERVAN	7,133,334	17.89
SWANCOVE ENTERPRISES PTY LTD	7,133,333	17.89
ASSOCIATE PROFESSOR DAVID KEAST	3,733,333	9.36
URANIUM OIL & GAS LIMITED	2,000,000	5.02

Distribution of shareholders as at 28 September 2009

Range of Holding	Holders	Shares
1 – 1,000	3	2,001
1,001 – 5,000	386	1,577,500
5,001 – 10,000	208	1,795,405
10 001 – 100,000	208	7,533,806
100,001 – 9,999,999,999	43	28,961,286
	848	39,869,998

Shareholders with less than a marketable parcel

444

Distribution of Listed Option Holders as at 28 September 2009

Range of Holding	Holders	Options
1 – 1,000	0	0
1,001 – 5,000	592	1,672,500
5,001 – 10,000	128	1,222,000
10 001 – 100,000	32	1,160,500
100,001 – 9,999,999,999	6	30,250,000
	758	34,305,000

Shareholders with less than a marketable parcel

752

### Voting Rights

Each fully paid ordinary share carries voting rights of one vote per share.

## TWENTY LARGEST HOLDERS OF QUOTED ORDINARY SHARES AS AT 28 SEPTEMBER 2009

	Ordinary Shares	
	Number Held	Percentage of issued shares
DR ZHUKOV PERVAN	7,133,334	17.89
SWANCOVE ENTERPRISES PTY LTD	7,133,333	17.89
ASSOCIATE PROFESSOR DAVID KEAST	3,733,333	9.36
URANIUM OIL & GAS LIMITED	2,000,000	5.02
PROFESSOR ALAN MORTON	666,666	1.67
LAWSTAR PTY LTD	500,000	1.25
MS JANICE MARGARET ROLL	500,000	1.25
ALUMENEX RESOURCES LTD	471,500	1.18
RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <MLCI A/C>	457,181	1.15
MR ALBERT GRINCERI + MRS GAIL GRINCERI	360,000	0.90
DR IAN HEWITT	333,333	0.84
DR ROBERT NEVILLE BUTTSWORTH	300,000	0.75
CHUCKY PTY LTD <M J TURNER SUPER FUND A/C>	300,000	0.75
MR JOHN FRANCES SHARKEY + MRS SUSAN SHARKEY	300,000	0.75
MR JOHN HESKETH + MRS SUSAN HESKETH <HESKETH FAMILY S/F 2 A/C>	260,000	0.65
MR LUCIANO PAOLO CROSETTA	250,000	0.63
MR RICK SEALEY + MS RUTH SEALEY	240,000	0.60
AVCO PTY LTD	230,000	0.58
SWAN COVE ENTERPRISES PTY LTD	209,000	0.52
MR MIRO LENDICH <THE LENDICH SUPER FUND A/C>	200,000	0.50
	<b>25,577,680</b>	<b>64.15</b>

## TWENTY LARGEST QUOTED OPTION HOLDERS AS AT 28 SEPTEMBER 2009

	Options	
	Number Held	Percentage of issued shares
DR ZHUKOV PERVAN	11,750,000	34.25
MR DAVID ALAN ZOHAR	11,750,000	34.25
ASSOCIATE PROFESSOR DAVID KEAST	5,000,000	14.58
PROFESSOR ALAN MORTON	1,000,000	2.92
DR BILL HARPER	500,000	1.46
CAMERON SECURITIES PTY LIMITED	250,000	0.73
DR SELVARETNAM SHANMUGAKUMAR <SHANMUGAKUMAR FAMILY A/C>	100,000	0.29
MRS UTHARAGOSHAMANGAI SHANMUGAKUMAR <SHANMUGAKUMAR FAMILY A/C>	100,000	0.29
RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <MLCI A/C>	82,000	0.24
MR JOHN HESKETH + MRS SUSAN HESKETH <HESKETH FAMILY S/F 2 A/C>	53,000	0.15
CHUCKY PTY LTD <M J TURNER SUPER FUND A/C>	50,000	0.15
MR JAMES COOKE + MRS PATRICIA COOKE	50,000	0.15
DR TONY CREA <CREA SUPER FUND ACCOUNT>	50,000	0.15
MR LEON MORTFRED JONES + MRS PATRICIA JEAN JONES <BARGAINLAND SUPER FUND A/C>	50,000	0.15
MR JOHN KINGSLEY WARING <WARING FAMILY S/F A/C>	50,000	0.15
MR GLENN FARRANT	37,500	0.11
MR HAROLD LEE	35,000	0.10
MR JOHN VERNON THORPE <THORPE FAMILY A/C>	32,000	0.09
MR DEREK COOKE	30,000	0.09
MR LORENZO DEVINCENTIS	30,000	0.09
	<b>30,999,500</b>	<b>90.36</b>

**Unquoted Securities**

There were 19,246,667 ordinary unquoted shares on issue as at 28 September 2009. There were 7 holders of unquoted ordinary shares all holding less than 20% of the issued ordinary shares.

There were 29,750,000 unquoted options on issue as at 28 September 2009. There were 5 holders of unquoted ordinary shares all holding less than 20% of the issued options, except for Dr Pervan and Mr Zohar who each held 34.25% of the issued options.

Shares and Options escrowed

No. of Shares	Escrow Period
19,246,667	24 months from the date of quotation on ASX being 16 October 2007

No. of Options	Escrow Period
29,750,000	24 months from the date of quotation on ASX being 16 October 2007





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