Alchemia Limited

ABN 43 071 666 334

Preliminary Final ASX Report
For the year ended
30 June 2011

(Previous corresponding period: Year ended 30 June 2010)

Brisbane Head Office
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(ACN 071 666 334 ABN 43 071 666 334)
3 Hi –Tech Court Brisbane Technology Park
Eight Mile Plains QLD 4113 Australia
PO Box 4851 Eight Mile Plains QLD 4113, Australia
T: 61 7 3340 0200 **F:** 61 7 3340 0222

Melbourne Office
Alchemia Oncology Pty Limited
(ACN 058 390 953 ABN 60 058 390 953)
Room BG08, Building 13B, Ground Floor
Department of Biochemistry and Molecular Biology, Monash University,
Wellington Road, Clayton, VIC 3800, Australia
T: 61 3 9905 3760 **F:** 61 3 9905 3726

Results for announcement to the Market

		% Change		$'000
Revenue from continuing operations	increase	110.4%	to	1,323
Net Loss for the year	increase	52.6%	to	(13,430)
Net loss for the year attributable to members of parent	increase	52.6%	to	(13,430)
Dividends				
Interim dividend				–
Final dividend				–

Consolidated accumulated losses	Current period	Previous corresponding period Year ended 30 June 2010
Accumulated losses at the beginning of the financial period	(89,642)	(80,841)
Net loss attributable to members	(13,430)	(8,801)
Accumulated losses at the end of the financial period	(103,072)	(89,642)

Earnings per share (EPS)		
Basic EPS	Loss 7.0 cents	Loss 5.0 cents
Diluted EPS	Loss 7.0 cents	Loss 5.0 cents
Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS	191,424,576	176,570,240

NTA backing		
Net tangible asset backing per ordinary share	0.7 cents	6.7 cents

Comments by directors

The Company reported a net loss of $13.4 million for the 2011 financial year, up from $8.8 million in 2010.

Please refer to the "Operating and Financial Review" in the directors' report for a detailed explanation and analysis of the Company's performance for the 12 months ended 30 June 2011.

ABN 43 071 666 334

Website: www.alchemia.com.au

Directors
M Bridges - Chairman
P Smith - Managing Director and Chief Executive Officer
C Montagner
T Ramsdale
N Withnall

Company Secretary
Stephen Denaro (appointed 1 February 2011)
David Green (resigned –28 January 2011)

Registered Office
3 Hi-Tech Court, Brisbane Technology Park
Eight Mile Plains Qld 4113 Australia

Principal place of business
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Share Register
Link Market Services, Locked Bag A14, Sydney South NSW 1235
Telephone: (02) 8280 7111
Facsimile: (02) 9287 0303; Facsimile: (02) 9287 0309 (for proxy)
Email: registrars@linkmarketservices.com.au
Internet: www.linkmarketservices.com.au

Stock Exchange Listing
Alchemia Limited is listed on the Australian Securities Exchange (ASX) with the code: ACL

Solicitors
McCullough Robertson Lawyers
Brisbane
Australia

Bankers
Westpac Bank
Garden City
Australia

Auditors
Ernst & Young
Australia

Directors' Report Year Ended 30 June 2011

Your directors submit their report for the year ended 30 June 2011.

Directors
The names of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mel Bridges (Chairman)
Pete Smith (Managing Director and Chief Executive Officer)
Carlo Montagner
Tracie Ramsdale
Nerolie Withnall

Directors' qualifications, experience, special responsibilities and period in office are set out in the section of this report entitled "Board of Directors" on page 78.

Directors' relevant interest in Alchemia securities

As at the date of this report, the interests of the directors in the shares and options of Alchemia Limited were:

	Number of Ordinary Shares	Options
M Bridges	450,485	–
P Smith	1,074,349	2,600,000
C Montagner	84,015	–
T Ramsdale	1,244,637	–
N Withnall	–	–

Secretary
Stephen Denaro
The Secretary's qualifications and experience are set out in the management profiles section of this report entitled "Senior Management" on page 80.

Dividends
The Company did not declare or pay any dividends during the financial year (2010: nil).

Principal activities
Alchemia Limited, established in 1995, is a biotechnology company developing new human therapeutics based on its proprietary drug discovery, drug targeting and synthesis technologies.

Directors' Report Year Ended 30 June 2011

Operating and Financial Review

Review of operations

The 2011 financial year was one of considerable progress despite the protracted wait for the approval of our lead program, generic fondaparinux, by the US Food and Drug Administration. Fortunately that wait is over with the approval being granted on 11 July 2011 by the FDA, and the subsequent launch of generic fondaparinux by our global manufacturing and marketing partner Dr Reddy's Laboratories.

The setting up of the Phase III trial of our lead oncology program, HA-Irinotecan, for the treatment of metastatic colorectal cancer has been completed and is now ready to recruit patients. As publicly stated during the course of the 2011 financial year, the start of recruitment to the trial had been delayed pending the approval of fondaparinux. HA-Irinotecan has the potential to be a very significant product, being a formulation of the widely used chemotherapeutic drug irinotecan.

The turmoil in the global financial markets and the resulting focus on improving value for money in the provision of healthcare should be viewed as being positive for the Company. Beyond the obvious drive towards increasing use of generic drugs which offers an immediate cost saving, there is increased scrutiny of the cost of new drugs and the clinical benefits they offer. HA-Irinotecan has demonstrated a significant improvement in clinical effectiveness against colorectal cancer compared directly with irinotecan. This, coupled with the fact that it is relatively inexpensive to produce and develop, means that it should be very attractive to healthcare providers. Being a platform, the HyACT® technology has the ability to rapidly produce a deep pipeline of other reformulated cancer drugs in due course. With pharmaceutical company pipelines suffering from a paucity of new product opportunities and continued erosion through patent expiries, HyACT® drugs and the platform itself should be increasingly attractive to potential partners.

The evaluation of the VAST chemistry and drug discovery platform is ongoing. In 2008 it was decided that this evaluation would take place through partnership arrangements and through grant-funded projects. This 'virtual' model is proving to be very successful with three major pharmaceutical/biotech companies working across a range of different target types and a number of other drug targets being evaluated through agreements with Monash Institute of Pharmaceutical Sciences and the University of Queensland. This model is enabling Alchemia to validate its technology without the use of significant internal funds.

Operational performance and highlights for the year:

Generic Fondaparinux

Fondaparinux is the Company's first product to gain regulatory approval, a major achievement and a key milestone. It is a generic version of the anticoagulant drug marketed with the brand name Arixtra® by GlaxoSmithKline. Arixtra is approved for the treatment of deep vein thrombosis (DVT) and pulmonary embolism (PE) and is also indicated for the prevention of DVT after major surgery such as knee and hip replacement in the US and Europe. US sales of Arixtra for the year to May 2011 were $340 million, an increase of 16% over the prior year (IMS National Sales Perspectives: Retail and Non-Retail MAT May 2011). Globally, annual sales of Arixtra now exceed US$500m. Fondaparinux is extremely difficult to manufacture at commercial scale and Alchemia has granted patents that will prevent others from using the Company's improved proprietary process. Thus far, the Company is not aware of any other ANDA applications from potential competing products and, given the increasing approval times for generic drugs in the US, it is believed to be unlikely that a competitor will be approved for a number of years through the ANDA process.

The preparations for filing for approval of generic fondaparinux in the EU are well advanced. This file can be submitted early in calendar 2012 upon the expiry of data exclusivity for Arixtra in the EU. Upon expiry, the Company is able to make reference to the preclinical and clinical data generated by Arixtra; access to this data is required for a drug to be approved through the generic regulatory pathway.

The manufacture and marketing of generic fondaparinux is being conducted under license by Dr Reddy's Laboratories. Alchemia will receive a 50% share of profits from sales of fondaparinux in the US, once Dr Reddy's has recouped certain development expenses, and Alchemia will also receive a royalty on non-US sales. Both companies have worked side-by-side throughout the development process and continue to work on further improvements to the synthesis in order to maximize yield and thereby increase future profitability.

HyACT Technology:

The HyACT® technology represents a flexible platform for the reformulation of cancer drugs resulting in increased effectiveness against the tumour without increasing toxicity. HyACT® uses a material called hyaluronic acid (HA) to deliver increased amounts of cancer drugs directly to tumour cells. Cancer cells overexpress the naturally occurring receptor for HA (CD44) and it has been shown that this receptor based mechanism is responsible for the increased effectiveness of HyACT® formulated drugs.

The lead program in the oncology portfolio is HA-Irinotecan, a HyACT® formulation of irinotecan (Camptosar), a drug widely used in the treatment of colorectal (bowel) cancer. After compelling Phase II clinical data that demonstrated a 116% increase in the time it took patients' tumours to grow when treated with HA-Irinotecan compared to irinotecan, preparations are well advanced to commence recruitment to a larger, pivotal Phase III trial. This trial will recruit 390 patients with advanced (2nd line) metastatic colorectal cancer across seven countries. The trial will take 12 months to recruit patients and then it is estimated that the primary result (progression free survival) will be known around 6-7 months later. The data from this trial will be the basis for submissions to regulatory authorities with the European Medicines Agency (EMA) and US Food and Drug Administration (FDA) having indicated that the trial and its endpoints will be acceptable for approval.

In addition, a Phase II clinical trial of HA-Irinotecan in small cell lung cancer is about to start recruitment. This is an investigator-sponsored trial with Alchemia's contribution being the supply of study drug. It will recruit 40 patients to examine the clinical benefits of HA-Irinotecan compared with irinotecan. An important part of the study protocol is an analysis of the effect of the drugs on cancer stem cells. Cancer stem cells are resistant to chemotherapies and are thought to be responsible for treatment failure. These cells are known to express high levels of CD44 and it is hoped that HA-Irinotecan will enhance the killing of this cell population.

Commercially HA-Irinotecan is a very exciting product. Based on it achieving superior results compared with irinotecan in the Phase III trial, it is believed that HA-Irinotecan will be able to garner a significant share of the existing market for irinotecan, which is now generic, at a significant price premium. Irinotecan is one of the 'backbone' chemotherapy agents used in the treatment of metastatic colorectal cancer and is likely to remain so for the foreseeable future.

Importantly, HyACT® is a genuine platform technology that has been shown preclinically to be capable of enhancing a broad range of cancer drugs. Success in this Phase III trial would strongly support the clinical development of other HyACT® formulated drugs.

VAST™ Drug Discovery:

The VAST drug discovery platform represents a novel approach to drug discovery and, like fondaparinux, is enabled by the same proprietary chemistry. The unique features of the VAST platform are that there is no need for any structural information about the target and only a small molecular array of 14,500 molecules is designed to cover 'drug-like space' in contrast to the many hundreds of thousands or even millions of compounds generally found in pharma companies' traditional libraries.

This part of our business is being run using a low cost 'virtual model' where the unique properties of the platform are either being evaluated through a number of partnerships with large pharma/biotech companies or through grant-funded collaborations with academic groups. Each of our pharma partners has either elected to screen additional targets or has progressed to a deeper level of engagement on particular targets where they have had success in finding 'hits'.

Our collaboration with the University of Queensland, which is funded by a research Industry Partnership Program grant in Professor Maree Smith's laboratory, continues to make good progress. We have increased the potency of a number of opioid molecules for the control of pain whilst maintaining the lack of certain side-effects that affect all of the currently available opioid pain medications. We also have collaborations with the Monash Institute of Pharmaceutical Sciences and the Institute of Molecular Biology in Brisbane.

The data that is being amassed through these collaborations is validating the platform and is establishing its utility as a drug discovery engine, particularly against difficult to hit targets. The aim is to be able to enter into lucrative discovery partnerships and, in time, divest the platform.

Performance Indicators

Management and the Board monitor the Group's overall performance, from its implementation of the mission statement and strategic plan through to the performance of the Group against operating plans and financial budgets.

The Board, together with management, have identified key performance indicators (KPIs) that are used to monitor performance. Key management and the Board monitor KPIs on a regular basis.

Dynamics of the Business

Whilst Alchemia Limited recorded revenues for the 2011 financial year, these were due to the receipt of grant and interest income and the Company is not yet profitable. Alchemia expects to be in receipt of revenues from the sale of its generic fondaparinux in the United States of America (USA) following approval by the US FDA in July 2011 and subsequent launch by Dr Reddy's Laboratories, Inc in the USA. As noted above, annualised sales of the patented version of fondaparinux, GlaxoSmithKline's Arixtra®, continue to grow. Until the launch of its generic fondaparinux the Company remains dependent on funding from equity markets and through collaborative and out-licensing deals. The Company ended the 2011 financial year with a cash balance of $5.6 million.

Operating Results for the Year

The Group reported a net loss of $13.4 million for the 2011 financial year, up from $8.8 million loss in 2010.

Total income for the period was $1.3 million, up by $0.7million from the previous period (2010: $0.6 million). This increase was driven predominantly by higher grant income, in-line with higher R&D spend on related projects, received from the Queensland State Government under the Smart State Innovation Fund for the Company's collaboration with (i) Monash Institute of Pharmaceutical Science to discover new drug candidates for G-Protein coupled receptors (NIRAP) and (ii) University of Queensland to discover novel opioid analgesics with reduced side effects (RIPP). Interest income was down on the corresponding period due to the steady reduction in the cash balance held over the period compared with the corresponding previous period (prior to the conclusion of the rights issue in January 2010), together with comparatively lower deposit rates on average in 2011.

Operating expenditure of $15.1 million was higher than the corresponding period (2010: $9.8 million). The 2011 expenditure represents funding of on ongoing research and development programs together with $5.5 million on the preparatory work for the HA-Irinotecan Phase III trial.

The Company's cash management strategy implemented in October 2008 significantly reduced its cash-burn, with this lower cash-burn continuing through much of financial years 2010 and 2011. The Company's cash burn, however, increased in the second half of the 2010 financial year as it commenced preparing for its HA-Irinotecan Phase III clinical trial.

Other expenses include the impact of foreign exchange movements. In the current period the Company recognised a $0.5 million exchange loss arising from

- the exchange movement on that US dollar bank account since its inception.

The consolidated cash position of the group over the reporting period has seen a net decrease in cash balances, $17.4 million at 30 June 2010 to $5.6 million at 30 June 2011. Net cash outflows from operating activities were up by $5.9 million to $11.6 million due to an increase in R&D and associated staff expenditure for the Phase III start up project.

The Group has an established treasury function responsible for tracking and monitoring the Group's cash position against forecasts. This allows management to proactively accelerate or decelerate programs based upon its cash position and anticipated changes, through financing or other activities, in that position.

Significant Events After the Balance Date

It should be noted that on 11 July 2011, Alchemia's partner, Dr Reddy's Laboratories Ltd (Dr Reddy's), received approval from the US FDA for the sale of fondaparinux sodium. Subsequently, fondaparinux sodium was launched in the US by Dr Reddy's. On 9th August, Alchemia became aware that GlaxoSmithKline (GSK) and Apotex had launched an authorized generic version of GSK's fondaparinux. Due to the launch of an authorized generic, Alchemia's profit share arising from sales made by Dr Reddy's reduces from 60% to 50%.

Likely developments

Any further information on likely developments in the operations of the consolidated entity and the expected results of operations has not been included in this report because Directors believe it would result in unreasonable prejudice to the consolidated entity.

Corporate structure

Alchemia Limited is a company limited by shares listed on ASX that is incorporated and domiciled in Australia. Alchemia Limited has prepared a consolidated financial report incorporating subsidiaries Alchemia Inc. (incorporated and domiciled in USA) and Alchemia Oncology Pty Ltd.

Environmental regulations and performance

Alchemia's activities are subject to licences and regulations under environmental laws that apply in the jurisdiction of its operations. These licences specify limits for and regulate the management of discharges to stormwater run-off associated with the Company's activities, as well as the storage of hazardous materials.

There have been no significant known breaches of the licence conditions or other environmental regulations.

Alchemia has in place an integrated environmental health and safety management system, which includes regular monitoring, auditing and reporting within the Company. The system is designed to continually improve Alchemia's performance and systems with training, regular review, improvement plans and corrective action as priorities.

Share Options

Details of options granted to key management personnel and exercised during the year are set out in the Remuneration Report section.

Insurance and indemnification of Directors and Officers

During the financial year, Alchemia paid premiums for insurance policies insuring any past, present or future Director, Secretary, Executive Officer of Alchemia against certain liabilities. In accordance with common commercial practice, the insurance policies prohibit disclosure of the nature of the insurance cover and the amount of the premiums.

Under the Alchemia constitution, every Officer of Alchemia is indemnified (to the maximum extent permitted by law) out of the property of Alchemia against:

a) A liability to another person (other than Alchemia or a related corporate body) unless the liability arises out of conduct involving a lack of good faith;
b) liability for costs and expenses incurred by the person:
    i) In defending proceedings, whether civil or criminal, in which judgement is given in favour of the person or in which the person is acquitted;
    ii) In connection with an application in relation to such proceedings in which the courts grant relief to the person under relevant legislation.

Directors' Meetings

The number of meetings of directors (including meetings of committees' of directors) held during the year and the number of meetings attended by each director are as follows:

Member	Board of Directors' Meetings		Meetings of Committees							
			Audit & Risk		Remuneration		Nominations		Due Diligence	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
M Bridges	9	8	3	2	1	1	2	2	–	–
P Smith	9	9	–	–	–	–	2	2	–	–
C Montagner	9	8	3	3	1	1	2	2	–	–
T Ramsdale	9	9	–	–	1	1	2	2	–	–
N Withnall	9	9	3	3	–	–	2	2	5	5

Committee membership

As at the date of this report, the Company had an Audit & Risk Committee, Nomination Committee and a Remuneration Committee.

Members acting on the committees of the Board during the year were:

	Audit & Risk	Remuneration	Nomination	Due Diligence
M Bridges	✓	✓	✓ (c)	x
P Smith	X	X	✓	x
C Montagner	✓	✓ (c)	✓	x
T Ramsdale	X	✓	✓	x
N Withnall	✓ (c)	x	✓	✓ (c)

Note: (c) Designates the chairman of the committee.

Significant changes in state of affairs

The directors are not aware of any significant change in the state of affairs of the Company after the balance date that is not covered in this report.

Employees

As at the 30 June 2011, Alchemia and its subsidiaries had a total of 20 employees (2010: 16 employees).

Corporate Governance

Details of Alchemia's corporate governance policies and procedures including information about Board Committees are set out in the section of this report entitled "Corporate Governance".

Tax consolidation

The Company has not formed a tax consolidated group at 30 June 2011.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (unless otherwise stated) under the option available to the company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

Auditor's Independence and Non-Audit Services

The directors received the following declaration from the auditor of Alchemia Limited.

1 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
www.ey.com/au

Auditor's Independence Declaration to the Directors of Alchemia Limited

In relation to our audit of the financial report of Alchemia Limited for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Mark Hayward
Partner
26 August 2011

Non-Audit Services

The following non-audit services were provided by the entity's auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

	2011	2010
Advisory services to the company	–	$2,833

Remuneration report (Audited)

This remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the Parent and the Group receiving the highest remuneration.

For the purposes of this report, the term 'executive' encompasses the chief executive, senior executives, general managers and secretaries of the Parent and the Group.

Details of key management personnel (including the five highest executives of the Company and the Group)

Directors

M Bridges	Chairman (Non-Executive)
P Smith	Managing Director and Chief Executive Officer
C Montagner	Director (Non-Executive)
T Ramsdale	Director (Non-Executive)
N Withnall	Director (Non-Executive)

Executives

C Walker	Chief Financial Officer (appointed 17 March 2011)
S Denaro	Company Secretary (appointed 1 February 2011)
T Brown	Vice President – Preclinical Development
W Meutermans	Vice President – Drug Development
M West	Vice President – Intellectual Property and Technology Transfer

There were no other changes in directors or KMP after the reporting date and before the date the financial report was authorised for issue.

Remuneration Committee

The Remuneration Committee of the board of directors of the Company is responsible for determining and reviewing remuneration arrangements for the directors and executives.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality, high performing director and executive team.

Remuneration policy

The Remuneration Committee is responsible for the remuneration strategies and initiatives and recommends the nature and amount of remuneration of Directors, Executives and employees in line with the principles articulated in the Alchemia remuneration policy.

The key principles are:

- Pay competitive salaries to recruit and retain staff with the right skills and experience;
- Reward individuals on the basis of performance so that higher levels of performance attract higher rewards;
- Align rewards of management to those of shareholders; and
- Manage and link the overall cost of remuneration to the ability of the company to pay.

Remuneration structure

The remuneration structure is in two parts:

- Fixed remuneration comprises base salary, superannuation and other minor benefits provided by the company; and
- Variable remuneration comprises incentives provided as both cash and equity.

Alchemia aims to set fixed remuneration at market levels for positions of comparable responsibility in both industry and academia, based on a formal job evaluation process. This fixed remuneration is supplemented by providing incentives (variable remuneration) to enable top performers to achieve further remuneration based on company performance, team performance and demonstrated individual superior performance.

The key features of incentives to Executives & Employees are tabled as per below depending upon the role and responsibilities of the participant:

<table>
<tr><th rowspan="2">Staff Level</th><th rowspan="2">Bonus Entitlement
(% of salary)</th><th colspan="2">Bonus "Split"</th><th>Hurdles</th></tr>
<tr><th>Cash</th><th>Shares</th><td rowspan="5">• 50% subject to positive TSR & comparator group;
• 25% on achievement of team KPI's; and
• 25% on achievement on individual KPI's.</td></tr>
<tr><td>Level 1</td><td>10%</td><td>50%</td><td>50%</td></tr>
<tr><td>Level 2</td><td>15%</td><td>33.3'%</td><td>66.6'%</td></tr>
<tr><td>Level 3</td><td>20%</td><td>33.3'%</td><td>66.6'%</td></tr>
<tr><td>Level 4</td><td>30%</td><td>20%</td><td>80%</td></tr>
</table>

Overall, the objective is to align incentives with performance by imposing weighted criteria on the employee's Bonus Entitlement, including:

- 25% of the Bonus Entitlement is payable on achievement of team key performance indicators (KPIs);
- 25% of the Bonus Entitlement is payable on achievement of an individual's KPIs;
- No bonus is payable regardless of the Company's Total Shareholder Return (TSR), if all team and individual KPIs are not met; and
- 50% of the Bonus Entitlement is payable if the TSR for the Company is positive and the Company achieves a TSR in the previous 12 months equal to at least the median of a Comparator Group of pre-agreed ASX listed biotech companies. Depending on the comparative performance, the award of shares may be nil, partial or fully allocated, as shown below:

Alchemia Limited TSR vs. comparator group :	
<below median	0% of max entitlement
> above median	50% of max entitlement
3rd quartile pro rata	50-100% of max entitlement (2% per % point above median)
4th quartile	100% of max entitlement

The comparator companies for determination of the TSR are:

- Acrux Limited;
- Antisense Therapeutics Limited;
- Avexa Limited;
- Bionomics Limited;
- Biota Holdings Limited;
- ChemGenex Pharmaceuticals Limited;
- Neuren Pharmaceuticals Limited;
- Pharmaxis Limited;
- Phosphagenics Limited;
- Prana Biotechnology Limited;
- Prima Biomed Limited;

- Progen Pharmaceuticals Limited; and
- Starpharma Holdings Limited.

The Board determines the composition of this peer group on an annual basis to ensure an appropriate mix of companies.

For the year ended 30 June 2011 the details of the entitlement and award of incentive payments to the Chief Executive Officer and key management personnel (KMP) executives were as set out below.

	Incentive	
	Awarded	Forfeited
Director:		
Peter Smith Chief Executive Officer	50%	50%
Key management personnel – Executives:		
Charles Walker Chief Financial Officer	100*%	0%
Tracey Brown Vice President – Oncology	100%	0%
Wim Meutermans Vice President – Drug Development	100%	0%
Michael West Vice President – Intellectual Property and Technology Transfer	75%	25%

** This employee commenced employment with Alchemia in March 2011, and has been awarded 100% of a pro rata share of his bonus entitlement, based on a fraction of the financial year served with the company.*

In addition to the above formal entitlements under the executive and employees incentive schemes, the Board may also allocate options under the Officers and Employees Share Option Scheme to employees who have demonstrated exceptional performance in a year. For the year 30 June 2011 nil options were granted (2010: nil).

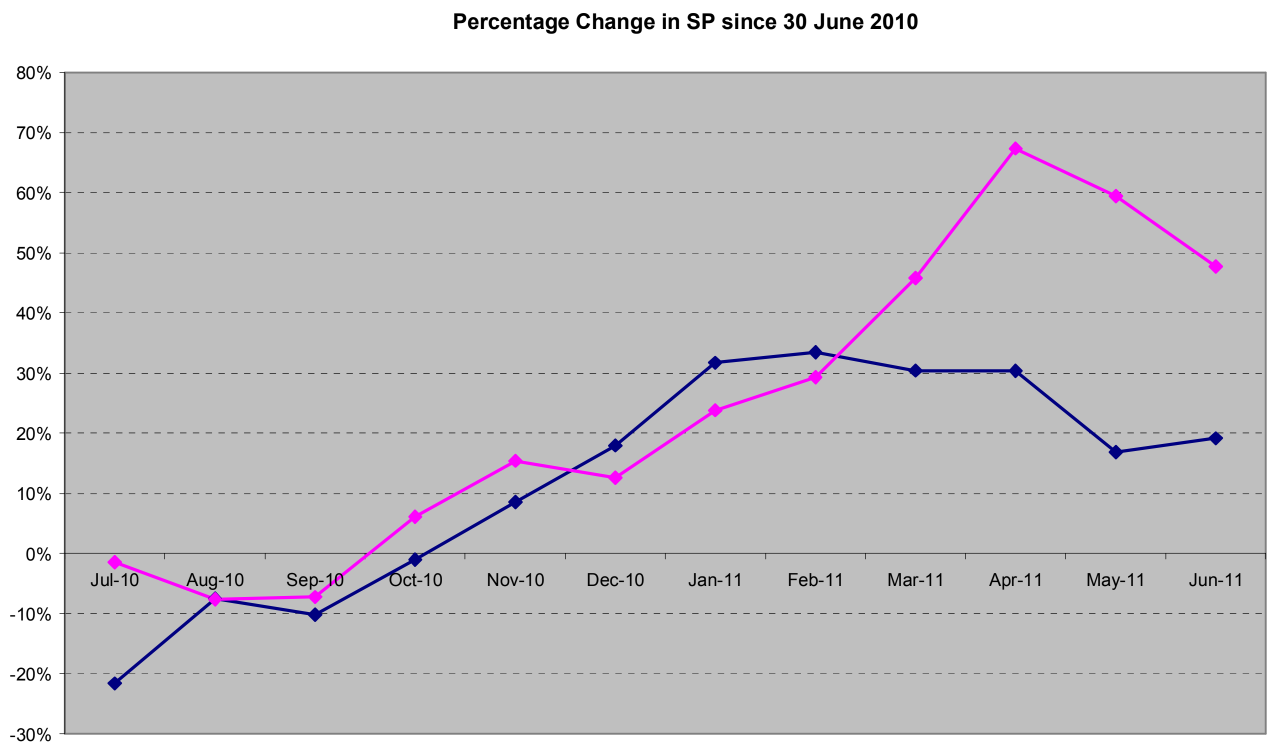
The Company prohibits executives from entering into arrangements to protect the value of unvested LTI awards. The prohibition includes entering into contracts to hedge their exposure to options awarded as part of their remuneration package. Adherence to this policy is monitored on an annual basis and involves each KMP signing an annual declaration of compliance with the hedging policy. In addition the Share Trading policy requires that all trading in shares and options of the Company by directors and executives must be approved by the Chairman.

Relating rewards to performance

Alchemia Limited has operated as a listed public company since December 2003.
The following table indicates Alchemia Limited's performance and its relationship to executive remuneration.
The Company is a development stage company which has not yet achieved profitability. Accordingly the most appropriate measure of company wide performance is considered to be Total Shareholder Return (TSR) and as the Company has not paid dividends TSR represents entirely capital appreciation of the Company's ordinary shares.

	2011	2010
Average share price	$0.639	$0.606
Percentile ranking of TSR against comparator group	7	5
% decrease in fixed remuneration	(6.34%)	(2.95%)
% decrease in total remuneration	(18.88%)	(2.14%)

Percentage monthly change in Alchemia Limited's share price vs comparator group for the year to 30 June 2011:



Alchemia Limited's closing share price at the end of each financial year since inception are:

	2011	2010	2009	2008	2007	2006	2005	2004
30 June	0.61	0.52	0.36	0.30	0.86	1.08	0.53	0.61

Remuneration of Non-Executive Directors

Shareholders approve the maximum aggregate remuneration for Non-Executive Directors. The Remuneration Committee considers the level of remuneration required to attract and retain Directors with the necessary skills and experience for the Alchemia Board. This remuneration is reviewed annually with regard to market practice, relativities and Director duties and accountability.

Non-Executive Directors' fees are determined within an aggregate Director's fee pool limit, which is subject to approval by shareholders at general meetings. The maximum available aggregate remuneration approved for Directors is $500,000, approved by shareholders in 2007.

The sum of Directors' fees falls within the aggregate fee pool approved in 2007. Consulting fees paid to Carlo Montagner and Tracie Ramsdale for services to the Company in addition to his/her role as non executive director are not considered to form part of this aggregate pool. No additional fees are paid to Directors for participating on Board committees. There are no retirement allowances payable to Non-Executive Directors, however all Non-Executive Directors with the exception of Mel Bridges receive a superannuation guarantee contribution that is currently nine percent of their fees.

Employment Contracts

Chief Executive Officer

Peter Smith is employed under an employment contract with no fixed expiry. His contract provides for a salary package of $393,876 including superannuation. In addition there is an annual performance based short term incentive of 30% of his package. The salary is subject to annual review and Board approval. The performance based incentive, which has a maximum payout of 30% of annual salary package, is assessed against individual and company performance and subject to annual review and Board approval. A maximum of 20% of the total payout under the performance based incentive entitlement is payable in cash, with the balance satisfied by the issue of shares.

Under the terms of his existing contract, the company is required to give six months notice of termination, or payment in lieu of notice.

Other executives

Each of the Executives has a service contract with the company. The principal terms of each of these contracts is set out below:

Executives	Charles Walker	Tracey Brown	Michael West	Wim Meutermans
Position	Chief Financial Officer	VP Oncology	VP IP & Technology Transfer	VP Discovery
Base salary	Base salary is subject to remuneration committee approval and reviewed annually in June			
Superannuation	Superannuation guarantee contribution of 9%			
Incentive arrangements	Annual bonus of 30% of salary subject to the company achieving performance objectives and achievement of team & individual performance objectives			
Length of contract	No fixed term	No fixed term	No fixed term	No fixed term
Notice period				
– employee	Six months	Six months	Six months	Six months
– termination by company	Six months	Six months	Six months	Six months

Directors’ Report Year Ended 30 June 2011

Remuneration of key management personnel and the five highest paid executives of the Company and the Group

Table 1: Remuneration for the year ended 30 June 2010 and 30 June 2011

	Short term				Post employment		Long term		Equity-based payments		Total	Performance related
	Salary & Fees	Cash Bonus	Non monetary Benefits	Other	Superannuation Contributions	Retirement Benefits	Inceptive plans	Long service leave	Options	Shares		
	$	$	$	$	$	$	$	$	$	$	$	%
Non-Executive Directors												
Mel Bridges - Chairman												
2011	90,000	0	0	0	0	0	0	0	0	0	90,000	n/a
2010	75,000	0	0	0	0	0	0	0	0	0	75,000	n/a
Carlo Montagner[1]												
2011	54,000	0	0	0	4,860	0	0	0	0	0	58,860	n/a
2010	45,000	0	0	0	4,050	0	0	0	0	0	49,050	n/a
Tracie Ramsdale[2]												
2011	54,000	0	0	60,000	4,860	0	0	0	0	0	118,860	n/a
2010	45,000	0	0	60,000	4,050	0	0	0	0	0	109,050	n/a
Nerolie Withnall												
2011	54,000	0	0	0	4,860	0	0	0	0	0	58,860	n/a
2010	45,000	0	0	0	4,050	0	0	0	0	0	49,050	n/a
Sub-total Non-Executive Director												
2010	**252,000**	0	0	60,000	14,580	0	0	0	0	0	326,580	n/a
2009	**210,000**	**0**	**0**	**60,000**	**12,150**	**0**	**0**	**0**	**0**	**0**	282,150	-
Executive Director												
Peter Smith												
2011	361,487	8,130	0	0	33,983	0	0	4,276	0	32,522	440,398	9.23%
2010	357,383	17,551	0	0	32,165	0	0	5,623	302,587	70,206	785,515	49.69%
Other Key Management Personnel												
Tracey Brown												
2011	210,867	9,486	4,605	0	19,873	0	0	6,414	0	37,942	289,187	16.40%
2010	208,473	10,840	5,915	0	18,763	0	0	4,606	45,194	43,362	337,153	29.48%
Charles Walker												
2011	82,923	3,780	0	0	7,463	0	0	248	61,936	15,120	171,470	47.14%
2010	0	0	0	0	0	0	0	0	0	0	0	0.00%
David Green												
2011	210,250	0	0	0	7,574	0	0	0	0	0	217,824	0.00%
2010	256,885	13,285	0	0	13,634	0	0	3,058	64,263	53,142	404,267	32.33%
Wim Meutermans												
2011	194,846	9,034	0	0	24,904	0	0	5,532	0	36,135	270,451	16.70%
2010	198,546	10,324	0	0	17,869	0	0	4,519	43,841	41,298	316,397	30.17%
Michael West												
2011	187,615	6,775	0	0	31,996	0	0	3,969	0	27,102	257,457	13.16%
2010	184,827	8,604	0	0	31,861	0	0	3,503	43,841	34,415	307,051	28.29%
Sub-total executive KMP												
2011	1,247,988	37,205	4,605	0	125,793	0	0	20,439	61,936	148,821	1,646,787	15.06%
2010	1,206,115	60,604	5,915	0	114,292	0	0	21,309	499,726	242,423	2,150,384	37.33%
Total Remuneration												
2011	**1,499,988**	**37,205**	**4,605**	**60,000**	**140,373**	**0**	**0**	**20,439**	**61,936**	**148,821**	**1,973,367**	**12.57%**
2010	1,416,115	60,604	5,915	60,000	126,442	0	0	21,309	499,726	242,423	2,432,534	33.00%

The amount included above in respect of options under the share based payments component of remuneration represents the amortisation over the expected life of the option of the fair value of the option at the date of grant. The fair value of the cash settled options is measured at the grant date using the Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted.

Table 2: Compensation options: Granted and vested during the year (Consolidated)

			Terms & Conditions for each Grant					Vested	
30 June 2011	Granted No.	Grant Date	Fair Value per option at grant date ($)	Exercise price per option ($)	Expiry Date	First Exercise Date	Last Exercise Date	No.	%
Directors									
P Smith	–	–	–	–	–	–	–	–	–
Executives									
T Brown	–	–	–	–	–	–	–	–	–
C Walker	630,000	18/2/11	$0.2698	$0.7421	16/2/17	18/2/12	16/2/17	–	–
W Meutermans	–	–	–	–	–	–	–	–	–
M West	–	–	–	–	–	–	–	–	–
Total	**630,000**							**–**	**–**

			Terms & Conditions for each Grant					Vested	
30 June 2010	Granted No.	Grant Date	Fair Value per option at grant date ($)	Exercise price per option ($)	Expiry Date	First Exercise Date	Last Exercise Date	No.	%
Directors									
P Smith	–	–	–	–	–	–	–	600,000	23.08%
Executives									
T Brown	–	–	–	–	–	–	–	200,000	36.54%
D Green	–	–	–	–	–	–	–	300,000	31.58%
W Meutermans	–	–	–	–	–	–	–	200,000	42.55%
M West	–	–	–	–	–	–	–	200,000	42.55%
Total	–	–	–	–	–	–	–	**1,500,000**	

Table 3: Options granted as part of remuneration

	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	Remuneration consisting of options for the year %
P Smith	–	–	–	–
T Brown	–	–	–	–
C Walker	$169,974	–	–	–
D Green	–	$89,993	–	–
W Meutermans	–	–	–	–
M West	–	–	–	–
Total	$169,974	$89,993	–	–

Table 4: Shares issued on exercise of compensation options (Consolidated)

There were no shares issued on exercise of compensation options during the period.

30 June 2011	Shares issued No.	Paid per share $	Unpaid per share $
D Green	500,000	$0.387	–
30 June 2010			
–	–	–	–

Signed in accordance with a resolution of the directors.

P Smith
Managing Director and Chief Executive Officer

Signed at Brisbane on 26 August 2011

Corporate Governance Statement

Alchemia Limited is committed to protecting and enhancing shareholder value and adopting best practice governance policies and procedures. At a minimum we will ensure that all regulatory requirements are met and ethical standards maintained. Alchemia Limited adheres to the substantive and procedural recommendations of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd Edition) (**Principles**) as amended in June 2010. Alchemia adheres to the three new recommendations and other amendments relating to diversity introduced by this amendment on 30 June 2010. The company has subsequently established a diversity policy in April 2010, and as part of this diversity policy, the Company will now report on measurable diversity objectives on an ongoing basis in its annual reports.

Alchemia is committed to a corporate culture which embraces diversity in all aspects of the workplace, including the processes of selecting and appointing directors and employees. Currently 50% of Alchemia's total staff is female. It is the company's measurable objective to maintain a female composition of at least 30% females amongst both directors and staff.

The Directors are responsible for the corporate governance practices of the Company. This statement sets out the main corporate governance practices of the Company that the Directors, management and employees are required to follow.

Comprehensive information about our current corporate governance policies can be found on our website at www.alchemia.com.au.

ROLE OF THE ALCHEMIA LIMITED BOARD OF DIRECTORS

The Alchemia Limited Board of Directors (the Board) is ultimately responsible for the success of the Company through setting its strategic goals, establishing resources and overseeing its management processes. Its aim is to create and deliver shareholder value by maximising the performance of our business.

The primary roles of the Board include:

- Appoint the Chief Executive Officer (CEO) and monitor performance of the CEO and senior Executives;
- Formulate and establish the strategic direction of the Company and monitor its execution;
- Protect the interests of shareholders;
- Monitor and optimise business performance;
- Ensure that the Company has implemented adequate systems of internal controls together with appropriate monitoring of compliance activities;
- Establish proper succession plans for management of the Company; and
- Approve external financial reporting by Alchemia Limited.

The division of responsibilities between the Board and management is set out in the Board Charter and in accordance with the approved framework of delegated authority to management. The executive team is responsible for ensuring that the Board is provided with quality, timely information to enable the Board to fulfil its responsibilities. A copy of the Board Charter is available on the Company's website.

This complies with Principle 1.1.

BOARD COMPOSITION AND INDEPENDENCE

The Alchemia Limited Board has five Directors. The Board is comprised of four Non-Executive Directors being Mr Melvyn Bridges (Chairman), Dr Tracie Ramsdale, Mr Carlo Montagner and Ms Nerolie Withnall and one Executive Director, Dr Peter Smith (CEO and Managing Director).

Details of each Director's skills and experience are set out in the Directors' Report.

Directors (except for the CEO) are subject to re-election by rotation at annual general meetings as stipulated in the Corporations Act and the Company's constitution. There are no maximum terms for Non-Executive Director appointments. Newly elected Directors must seek re-election at the first general meeting of shareholders following their appointment.
The Board assesses Director independence on an annual basis, or more often if it feels it is warranted, depending on disclosures made by individual Directors.

The Board has concluded that all Non-Executive Directors are independent. In reaching this conclusion the Directors considered the following:

- Dr Tracie Ramsdale was a founder of the Company and has been a Board member since 2003. She was Chief Executive Officer of the Company until April 2007 at which time she resigned from that role to assume a non-executive directorship position with the Company. As a period of 4 years has now expired since serving in an executive capacity that relationship is no longer deemed to affect Dr Ramsdale's independence. Dr Ramsdale also provides consulting services to, and chairs Alchemia's Scientific Advisory Board. Notwithstanding these past and present associations the Board is satisfied that these do not affect her ability nor her willingness to operate independently as a director, and is satisfied, through her demonstrated history of participation in robust and energetic board debate, that these have not and will not interfere with the independent exercise of her judgement.
- Carlo Montagner provides consulting advice to the Company from time-to-time with respect to the Company's Oncology business. This role has arisen as a consequence of his appointment to the Board in 2008 and the Board has reviewed and is satisfied that it does not compromise his independence.
- Nerolie Withnall and Melvyn Bridges (Chairman) do not have any previous association with the Company or any other relationships that are relevant to their independence.

The Chairman is independent and runs the Board in such a manner as to facilitate the effective contribution of all Directors and promote constructive and respectful relations among the Board members and between Board and management. To ensure that the principles inherent in good Board practice are adhered to, the Chairman implements the following:

- Proper meeting procedure ensuring that all members of the Board are given a reasonable opportunity to put forward views and discuss issues in a constructive and robust environment. This ensures that effective communication and decision-making can be achieved.
- The requirement that detailed Board papers be prepared and distributed, ensuring that Board members are fully informed on relevant issues in a timely manner.
- The requirement that draft minutes of meetings be circulated within a reasonable period after each meeting. This ensures proper follow up and informed reporting of resolutions passed and issues discussed at Board meetings.
- If a potential conflict of interest arises, the Director concerned does not receive the relevant Board papers and leaves the Board meeting while the matter is being considered. Directors must advise the Board immediately of any interests that could potentially conflict with those of Alchemia.

The roles of Chairman and CEO are exercised by different individuals, providing for clear division of responsibility at the head of the company. Their roles and responsibilities, and the division of responsibilities between them, are clearly understood and there is regular communication between them.

The company's Board structure is compliant with Principles 2.1, 2.2, 2.3 and 2.6.

DIRECTORS' ACCESS TO INDEPENDENT PROFESSIONAL ADVICE

With the prior approval of the Chairman, each Director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors.

This complies with Principles 2.1 and 2.6.

REVIEW OF BOARD PERFORMANCE

The Board undertakes to regularly review its performance against appropriate measures. The most recent review of its performance and that of its committees and individual Directors was conducted in October 2009. This involved a self assessment process which required the completion and evaluation of detailed questionnaires on business and management matters. The results of this assessment have been reviewed by the Board and have been used to establish new performance objectives. A review of the Board's performance (and of its committees and individual Directors) is scheduled to occur in the second half of 2011.

Formal performance assessment is undertaken on all Executives including the CEO on an annual basis.

This complies with Principles 1.2, 2.5 and 2.6.

ACCESS TO INFORMATION

To help Directors maintain their understanding of the business, to assess business performance, make informed decisions and discharge their duties effectively, the Board commits to ensuring the Directors have access to the information they need. Directors are briefed regularly by members of the Executive team. Directors also have access to other employees at all levels during inspections and in other meetings.

Directors receive comprehensive monthly reports from management and have unrestricted access to company records and information.

All Directors have direct access to the Company Secretary who is accountable to the Chief Executive and, (through the Chairman), the Board on all corporate governance matters.

This complies with the recommendations under Principles 2.5.

BOARD COMMITTEES

Alchemia's Board has established three standing committees to assist in meeting its responsibilities — the Audit and Risk Committee, the Remuneration Committee and the Nomination Committee. These committees review matters on behalf of the Board and make recommendations for consideration by the entire Board. Copies of the charters of these committees can be accessed from our website.

Remuneration Committee

The Board has established a Remuneration Committee, which meets at least two times per year. The Remuneration Committee comprises the following Non-Executive Directors:

- Carlo Montagner (Chairman);
- Mel Bridges; and
- Tracie Ramsdale.

Attendance at meetings during the year is set out in the Directors' Report.

The Remuneration Committee undertakes the procedure for setting the Company's remuneration policies and establishing and reviewing remuneration for senior Executives and Non-Executive members of the Board.

Particulars concerning Directors' and Executives' remuneration and the Company's Employee and Officers Share Option Plan are set out in the Directors' Report and in the notes to the financial statements.

The Remuneration Committee complies with Principles 8.1 and 8.2.

Audit and Risk Committee

The Board has established an Audit and Risk Committee, which meets regularly throughout the year. The Audit and Risk Committee comprises three Independent Non-Executive Directors, and its current members are:

- Nerolie Withnall (Chairman);
- Mel Bridges; and
- Carlo Montagner.

Attendance at meetings during the year is set out in the Directors' Report.

The members of the Audit and Risk Committee have significant financial, business, and legal backgrounds, expertise and qualifications. The full particulars of each member's relevant experience and qualifications, and other relevant matters are contained in this annual report.

The appointment and review of existing audit arrangements is undertaken by the Audit and Risk Committee. The Audit and Risk Committee addresses issues surrounding the integrity of financial information presented to the Board and shareholders, including the review of audit engagements and controls.

The Audit and Risk Committee also reports to and advises the Board and makes recommendations in relation to policy and procedures, and the application of the principles of corporate governance. The committee addresses issues of proper corporate governance procedures and practices to ensure that the company maintains the highest integrity and best practice with respect to the Company's financial reporting.

The Audit and Risk Committee seeks to ensure the independence of the external auditor. It pre-approves any non-audit services to be performed by the audit firm. Such approval will not be given if the services might impair the auditor's judgement or independence.

The Audit and Risk Committee generally invites the CEO, the Chief Financial Officer (CFO) and external auditors to attend meetings. The CEO (Peter Smith) and the CFO (Charles Walker) sign a statement to the half yearly and full year accounts to the effect that the Company's financial reports present a true and fair view in all material respects of the Company's financial condition and operational results, and are in accordance with relevant accounting standards.

The Audit and Risk Committee structure and charter comply with Principles 4.1, 4.2 and 4.3.

Nomination committee

The Nomination Committee comprises all members of the Board and meets where necessary to consider and select candidates for the position of director.

The Nomination Committee structure and functions comply with Principles 2.4.

RISK MANAGEMENT

The Board, together with the Audit and Risk Committee, is responsible for satisfying itself that the Company's risk management systems are effective and, in particular, for ensuring that:

- The principal strategic, operational and financial risks are identified;
- Effective systems are in place to monitor and manage risks; and
- Reporting systems, internal controls and arrangements for monitoring compliance with laws and regulations are adequate.

In addition to maintaining appropriate insurance and other risk management measures, the Board has taken the following steps to address identified risks:

- Established policies and procedures in relation to treasury operations including the use of derivatives;
- Issued and revised standards and procedures in relation to health and safety matters;
- Implemented policies and procedures in relation to the protection of the company's intellectual property; and
- Issued procedures requiring that significant capital and revenue expenditure is approved at an appropriate level of management or by the Board.

The identified risks are monitored by regular reports to the Board and, where appropriate, by management presentations to the Board and to the Audit Committee during the year. The Board determines the Company's risk profile and is ultimately responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.

This oversight function is performed by the Audit and Risk Committee and its findings are reported to, reviewed and discussed by the Board. The Audit and Risk Committee oversees an annual assessment of the effectiveness of risk management and internal compliance and control.

The tasks of undertaking and assessing risk management and internal control effectiveness are delegated by the Audit and Risk Committee to management through the CEO, including responsibility for the day to day design and implementation of the Company's risk management and internal control system. Management then reports to the Board on the Company's key risks and the extent to which it believes these risks are being managed and adequate systems are in place.

Management is required by the Board to carry out risk assessments of all specific management activities including strategic risk, operational risk, reporting risk, compliance and regulatory risk and funding risk. The effectiveness of the Company's efforts are benchmarked by management in accordance with Australian / New Zealand Standard for Risk Management (AS/NZS 4360 Risk Management) and the Committee of Sponsoring Organisations of the Treadway Commission (COSO) risk framework and the Company's benchmark performance is reported to the Board.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses the Company's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk; and
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of KPIs of both a financial and non-financial nature.

The Board acknowledges the Revised Supplementary Guidance to Principle 7 issued by the ASX in June 2008 and has continued its proactive approach to risk management.

For the purposes of assisting investors to understand better the nature of the risks faced by Alchemia Limited, the Board has prepared a list of operational risks as part of these Principle 7 disclosures. However, the Board notes that this does not necessarily represent an exhaustive list and that it may be subject to change based on underlying market events:

- Fluctuations in interest rates, exchange rates & demand volumes.
- Molecule or clinical trial failure.
- Changes in technology which make Alchemia's programs uncommercial or redundant.
- Force majeure events by significant suppliers such as Dr Reddy's.
- Increasing costs of operations, including labour costs.
- Changed operating, market or regulatory environments as a result of governmental changes to the healthcare system, particularly reimbursements.

The risk oversight policies and practices comply with Principles 7.1 and 7.2.

CODE OF CONDUCT

The Board and management ensure that the business processes of Alchemia Limited are conducted with integrity and according to sound ethical principles. The Board has established formal codes of conduct in this regard for Directors, management and staff, copies of which are available on the Company's website.

This code of conduct complies with the obligations in Principle 3.1.

SHARE TRADING

The Board has set the following rules relating to trading in the Company's securities by Directors, management and relevant employees:

1. Directors, Officers and employees will not engage in short term trading of the Company's shares.
2. Directors, Officers and employees will neither buy nor sell at a time when they possess information which, if disclosed publicly, would be likely to materially affect the market price or value of the Company's shares.
3. Directors, Officers and employees will notify the Board in advance of any material intended transactions involving the Company's shares (through the Chairman or Secretary).
4. Subject to points 1 to 3 above, Directors, Officers and employees can only buy or sell shares in the Company during a four week period starting immediately after the occurrence of one of the following events:
    a) Release of yearly results to the ASX; or
    b) Release of half yearly results to the ASX; or
    c) The Annual General Meeting.
5. Points 1 to 4 above apply to Directors, Officers and employees (including their nominee companies) and their associates, such as spouses, dependent children, family trusts and family companies where the transactions are known to the Director.

The share trading policy will be monitored and amended by the Board to reflect pending changes to the ASX Listing Rules and Guidelines.

The share trading policy complies with Principle 3.2.

REPORTING TO STAKEHOLDERS

The Board is committed to keeping shareholders and other legitimate stakeholders accurately informed in a timely manner of material developments that affect the Company. The Company's disclosure policy is supported by a formal policy and comprehensive procedures on continuous and periodic disclosure to ensure compliance with the ASX Listing Rules and Corporations Act obligations.

All Company announcements, financial reports, presentations to analysts and other significant briefings are posted on the company's website after release to ASX. The Company Secretary is responsible for communications with ASX.

By placing all relevant information on the Company's website, Alchemia Limited aims to enable broad access to Company information for all stakeholders and to facilitate shareholder participation at general meetings of the Company.

The Company's policies and procedures comply with Principles 5 and 6.1.

CERTIFYING FINANCIAL REPORTS

The Chief Executive Officer and Chief Financial Officer certify in respect of the half yearly financial results and the full yearly financial results that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and results and are in accordance with relevant accounting standards. The CEO and CFO are required to confirm that this certification is founded on a sound system of risk management and internal control and that the Company's risk management and internal compliance systems have been operating efficiently and effectively during the whole financial year.

This complies with Principles 7.2 and 7.3.

AUDIT GOVERNANCE

The Company's external audit services are provided by Ernst & Young. The Partner responsible for the audit was appointed during 2010 and, under the terms of the engagement, the Partner will be required to rotate off the audit in five years from appointment (that is, 2015). Reports prepared by the external auditor are submitted to the Audit and Risk Committee. It is the policy of the external auditor to provide an annual declaration of their independence to the Audit and Risk Committee.

The relationship with the external auditor is covered in the Audit and Risk Committee charter, which is available on our website.

The external audit partner in charge of the Alchemia Limited audit attends the annual general meeting of the Company and is available to answer shareholder questions relating to audit and accounting matters.

Balance Sheet

As at 30 JUNE 2011

		CONSOLIDATED		ALCHEMIA LIMITED	
	Note	2011	2010	2011	2010
		$'000	$'000	$'000	$'000
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	9	3,536	5,359	3,364	5,287
Term deposits	10	2,050	12,050	2,050	12,050
Trade and other receivables	11	306	312	285	288
Other current assets	12	272	125	39	68
TOTAL CURRENT ASSETS		6,164	17,846	5,738	17,693
NON-CURRENT ASSETS					
Property, plant and equipment	13	725	574	268	563
Intangible assets and goodwill	14	17,380	18,705	–	–
Investment in controlled entities	15	–	–	17,669	17,583
Non-current receivables to controlled entities	15	–	–	–	–
Other non-current assets		10	20	10	20
Deferred tax assets	7	46	85	6	85
TOTAL NON-CURRENT ASSETS		18,161	19,384	17,953	18,251
TOTAL ASSETS		24,325	37,230	23,691	35,944
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	16	944	1,034	363	539
Provisions	17	692	451	563	377
Deferred revenue		74	–	74	–
TOTAL CURRENT LIABILITIES		1,710	1,485	1,000	916
NON-CURRENT LIABILITIES					
Provisions	17	277	254	260	231
Deferred tax liability	7	3,524	3,960	6	85
TOTAL NON-CURRENT LIABILITIES		3,801	4,214	266	316
TOTAL LIABILITIES		5,511	5,699	1,266	1,232
NET ASSETS		18,814	31,531	22,425	34,712
EQUITY					
Contributed equity	18	118,249	117,599	118,249	117,599
Reserves	19	3,637	3,574	3,637	3,574
Accumulated losses	19	(103,072)	(89,642)	(99,461)	(86,461)
TOTAL EQUITY		18,814	31,531	22,425	34,712

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

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2011

	Note	CONSOLIDATED		ALCHEMIA LIMITED	
		2011	2010	2011	2010
		$'000	$'000	$'000	$'000
Continuing operations					
Interest revenue		491	509	490	506
Grants revenue		807	71	807	70
Other revenue		25	49	25	4
Total revenue		1,323	629	1,322	580
Depreciation and amortisation	6a	(1,724)	(1,680)	(300)	(318)
Payroll and staff expenses	6b	(3,051)	(2,892)	(2,312)	(2,137)
Business development		(140)	(89)	(10)	(7)
Research and development costs		(6,949)	(3,126)	(787)	(576)
Administration and corporate expenses		(1,802)	(1,168)	(1,726)	(1,092)
Rent and occupancy expense		(701)	(517)	(700)	(517)
Share based payment expense	6b	(403)	(788)	(317)	(703)
Provision for intercompany loan	22f	–	–	(7,660)	(2,914)
Other expense		(381)	432	(510)	422
Loss from continuing operations before income tax		(13,828)	(9,199)	(13,000)	(7,262)
Income tax benefit	7	398	398	–	–
Net Loss from continuing operations		(13,430)	(8,801)	(13,000)	(7,262)
Comprehensive Income		–	–	–	–
Total Comprehensive Income attributable to equity holders of the parent		(13,430)	(8,801)	(13,000)	(7,262)
Earnings per share (cents per share)					
– Basic earnings/(loss) per share (cents)	8	(7.0)	(5.0)		
– Diluted earnings/(loss) per share (cents)	8	(7.0)	(5.0)		
Dividends per share (cents)		–	–		

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

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2011

Consolidated	Issued Capital $'000	Accumulated losses $'000	Reserves $'000	Total equity $'000
At 1 July 2009	**102,626**	**(80,841)**	**2,786**	**24,571**
Net loss from continuing operations	–	(8,801)	–	(8,801)
Comprehensive income for the period	–	–	–	–
Total comprehensive income for the period	–	(8,801)	–	(8,801)
Issuance of shares - Executive and Employee Incentive Plans Shares	247	–	–	247
Cost of share-based payment	–	–	788	788
Rights issue	15,513	–	–	15,513
Cost of Rights Issue	(787)	–	–	(787)
Total as at 30 June 2010	**117,599**	**(89,642)**	**3,574**	**31,531**
Net loss from continuing operations	–	(13,430)	–	(13,430)
Comprehensive income for the period	–	–	–	–
Total comprehensive income for the period	–	(13,430)	–	(13,430)
Shares issued on conversion of employee options	310	–	–	310
Cost of share-based payment	–	–	63	63
Issuance of shares - Executive and Employee Incentive Plans Shares	340	–	–	340
Cost of Rights Issue	–	–	–	–
Total as at 30 June 2011	**118,249**	**(103,072)**	**3,637**	**18,814**

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

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2011

Parent	Issued Capital $'000	Accumulated losses $'000	Reserves $'000	Total Equity $'000
At 1 July 2009	**102,626**	**(79,199)**	**2,786**	**26,213**
Net loss from continuing operations	–	(7,262)	–	(7,262)
Comprehensive income for the period	–	–	–	–
Total comprehensive income for the period	–	(7,262)	–	(7,262)
Cost of share-based payment to consultants	–	–	85	85
Issuance of shares - Executive and employee Incentive Plans Shares	247	–	–	247
Cost of share-based payment	–	–	703	703
Rights issue	15,513	–	–	15,513
Cost of Rights Issue	(787)	–	–	(787)
Total as at 30 June 2010	**117,599**	**(86,461)**	**3,574**	**34,712**
Net loss from continuing operations	–	(13,000)	–	(13,000)
Comprehensive income for the period	–	–	–	–
Total comprehensive income for the period	–	(13,000)	–	(13,000)
Shares issued on conversion of employee options	310	–	–	310
Cost of share-based payment	–	–	63	63
Issuance of shares - Executive and employee Incentive Plans Shares	340	–	–	340
Cost of Rights Issue	–	–	–	–
Total as at 30 June 2011	**118,249**	**(99,461)**	**3,637**	**22,425**

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

Cash Flows Statement

FOR THE YEAR ENDED 30 JUNE 2011

	Note	CONSOLIDATED 2011 $'000	CONSOLIDATED 2010 $'000	ALCHEMIA LIMITED 2011 $'000	ALCHEMIA LIMITED 2010 $'000
Cash flows from operating activities					
Receipts from grants		646	122	646	122
Payments to suppliers and employees		(12,725)	(6,047)	(13,368)	(6,141)
Other income received		25	49	25	3
Interest received		471	227	469	506
Interest paid		–	(3)	–	(3)
Net cash flows used in operating activities	20	(11,583)	(5,652)	(12,228)	(5,513)
Cash flows from investing activities					
Purchase of property, plant and equipment	13	(550)	(6)	(5)	(5)
Proceeds from sale of property, plant and equipment		–	1	–	1
Redemption (placements) of short term deposits		10,000	(4,984)	10,000	(4,984)
Net cash flows used in investing activities		9,450	(4,989)	9,995	(4,988)
Cash flows from financing activities					
Proceeds from issues of ordinary shares	18	310	15,513	310	15,513
Payment of share issue costs	18	–	(787)	–	(787)
Net cash flows from financing activities		310	14,726	310	14,726
Net (decrease)/increase in cash and cash equivalents		(1,823)	4,085	(1,923)	4,225
Cash and cash equivalents at beginning of period		5,359	1,274	5,287	1,062
Cash and cash equivalents at end of the period	9	3,536	5,359	3,364	5,287

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

1. CORPORATE INFORMATION

The financial report of Alchemia Limited for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 26 August 2011.

Alchemia Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

(a) Compliance with IFRS

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(b) New accounting standards and interpretations

(i) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as at 1 July 2010.

Reference	Title	Application date of standard	Application date for Group
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project – The subject of amendments to the standards are set out below: • AASB 5 – Disclosures in relation to non-current assets (or disposal groups) classified as held for sale or discontinued operations • AASB 8 – Disclosure of information about segment assets • AASB 101 – Current/non-current classification of convertible instruments • AASB 107 – Classification of expenditures that does not give rise to an asset • AASB 117 – Classification of leases of land • AASB 118 – Determining whether an entity is acting as a principle or an agent • AASB 136 – Clarifying the unit of account for goodwill impairment test is not larger than an operating segment before aggregation AASB 139 – Treating loan prepayment penalties as closely related embedded derivatives, and revising the scope exemption for forward contracts to enter into a business combination contract	1 January 2010	1 July 2010
AASB 2009-8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]	1 January 2010	1 July 2010
AASB 2009-10	Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]	1 February 2010	1 July 2010
AASB 2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139] Limits the scope of the measurement choices of non-controlling interest to instruments that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of NCI are measured at fair value. Requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), in a consistent manner i.e., allocate between consideration and post combination expenses. Clarifies that contingent consideration from a business combination that occurred before the effective date of AASB 3 Revised is not restated. Clarifies that the revised accounting for loss of significant influence or joint control (from the issue of IFRS 3 Revised) is only applicable prospectively.	1 July 2010	1 July 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(b) New accounting standards and interpretations (continued)

Reference	Title	Application date of standard	Application date for Group
Interpretation 19	Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The interpretation states that equity instruments issued as payment of a debt should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment.	1 July 2010	1 July 2010

The adoption of these standards did not have a material financial effect on the current year's financial statements.

(ii) Accounting Standards and Interpretations issued not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2011. The Group does not believe that there will be a material financial impact to either the statement of comprehensive income or the balance sheet once these accounting standards are adopted. These are outlined in the table below.

Reference	Title	Application date of standard	Application date for Group
AASB 9	Financial Instruments	1 January 2013	1 July 2013
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	1 January 2013	1 July 2013
AASB 124 (Revised)	Related Party Disclosures (December 2009)	1 January 2011	1 July 2011
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	1 January 2011	1 July 2011
AASB 2009-14	Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	1 January 2011	1 July 2011
AASB 1054	Australian Additional Disclosures	1 January 2011	1 July 2011

AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	1 January 2011	1 July 2011
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	1 January 2011	1 July 2011

(b) New accounting standards and interpretations (continued)

Reference	Title	Application date of standard	Application date for Group
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	1 July 2011	1 July 2011
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and interpretations 2, 5, 10, 12, 19 & 127]	1 January 2013	1 July 2013
AASB 2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	1 January 2012	1 July 2012
AASB 2011-1	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132, AASB 134, Interpretation 2, Interpretation 112, Interpretation 113]	1 July 2011	1 July 2011
IFRS 10	Consolidated Financial Statements	1 January 2013	1 July 2013
IFRS 11	Joint Arrangements	1 January 2013	1 July 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013	1 July 2013
IFRS 13	Fair Value Measurement	1 January 2013	1 July 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Alchemia Limited and its subsidiaries as at 30 June each year (the Group).

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as Alchemia Limited, the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.
Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The acquisition of a subsidiary is accounted for using the acquisition method of accounting. The acquisition method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.
Investments in subsidiaries held by Alchemia Limited are accounted for at cost in the parent entity less any impairment charges.

(d) Business Combination

Subsequent to 1 July 2009

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group’s operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(d) Business Combination

Prior to 1 July 2009

The purchase method of accounting was used to account for all business combinations regardless of whether equity instruments or other assets were acquired. Cost was measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination.

Where equity instruments were issued in a business combination, the fair value of the instruments was their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments were recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which were measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination were measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired was recognised as goodwill. If the cost of acquisition was less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference was recognised as a gain in the statement of comprehensive income, but only after a reassessment of the identification and measurement of the net assets acquired.
Where settlement of any part of the consideration was deferred, the amounts payable in the future was discounted to their present value as at the date of exchange. The discount rate used was the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(e) Segment reporting – refer to note 5

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:
_ Nature of the products and services;
_ Nature of the production processes;
_ Type or class of customer for the products and services;
_ Methods used to distribute the products or provide the services; and if applicable
_ Nature of the regulatory environment;

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

(f) Foreign currency translation

Functional and presentation currency

Both the functional and presentation currency of Alchemia Limited and its Australian subsidiaries is Australian dollars ($). The United States subsidiary' functional currency is United States Dollar which is translated to the Group's presentation currency (see below for consolidated reporting).

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities are denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Translation of group companies functional currency to presentation currency

As at the reporting date the assets and liabilities of Alchemia Inc. (USA) are translated into the presentation currency of Alchemia Limited at the rate of exchange ruling at the balance sheet date and its statement of comprehensive income is translated at the weighted average exchange rate for the year.

(g) Cash and cash equivalents – refer note 9

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(h) Trade and other receivables – refer note 11

Trade receivables, which generally have 0-30 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable.

(i) Investments and other financial assets – ***refer note 10***

Investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recognition and derecognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

- Held-to-maturity investments
  Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. All of the Group's term deposits are captured by this category.
- Loans and receivables
  Loans and receivables including loans to subsidiaries and receivables from Dr Reddy's are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at the lesser of their carrying value or recoverable amounts. Any diminution in value is recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

(i) Investments and other financial assets (continued)

- Available-for-sale securities
  Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the two preceding categories. After initial recognition available-for sale securities are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgmental inputs to a minimum.

(j) Property, plant and equipment - refer note 13

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

	2011	2010	Depreciation Method
Leasehold improvements	**6 years**	6 years	Straight Line
Plant and equipment	**3 to 8 years**	3 to 8 years	Straight Line except for Software which uses diminishing method

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(k) Leases – refer note 26

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

(k) Leases (continued)

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term if there is reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised in the statement of comprehensive income as an integral part of the total lease expense.

(l) Impairment of non-financial assets other than goodwill

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Alchemia Limited conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(m) Goodwill and intangibles – refer note 14

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-

(m) Goodwill and intangibles (continued)

generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

Intangibles

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired (see note 4 for methodology). The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level consistent with the methodology outlined for goodwill above. Such intangibles are not amortised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use or more frequently when an indication of impairment arises during the reporting period.

(n) Trade and other payables – refer note 16

Trade payables and other payables are carried at amortised cost due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. These amounts are unsecured and are usually paid within 30 days of recognition.

(o) Provisions and employee benefits– refer note 17

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee leave benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(p) Share-based payment transactions – refer note 24

The Company provides benefits to employees (including key management personnel) in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There are currently two plans in place to provide these benefits:

- The Executive and staff incentive plan, which provides benefits to all employees; and
- The employee share option plan, which provides benefits to all employees and directors

Details of the Executive and staff incentive plan are set out in the Remuneration Report.

(p) Share-based payment transactions (continued)

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value measured at grant date takes into account market performance conditions only, and spread over the vesting period during which the employees becomes unconditionally entitled to the options.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Alchemia Limited (market conditions) if applicable.

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 (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of: (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period. This opinion is formed based on the best available information at balance date.

Equity-settled awards granted by Alchemia Limited to employees of subsidiaries are recognised in the parent's separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. As a result, the expense recognised in Alchemia Limited in relation to equity-settled awards only represents the expense associated with grants to employees of the parent. The expense recognised by the Group is the total expense associated with all such awards.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are settled.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If 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, as described in the previous paragraph.

If an equity award is cancelled by forfeiture and the vesting conditions have not been met, any expense not yet recognised (i.e. unamortised) for that award, as at the date of forfeiture, is treated as if it had never been recognised. As a result, the expense recognised (i.e. amortised) on such cancelled equity awards are reversed from the accounts effective as at the date of forfeiture.

(p) Share-based payment transactions (continued)

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(q) Contributed equity – refer note 18

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(r) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(s) Income tax and other taxes – refer note 7

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- When the taxable temporary difference is associated with investments in subsidiaries and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(s) Income tax and other taxes (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(s) Income tax and other taxes – refer note 7 (continued)

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(t) Government Grants

Government grants are recognised as a liability when the grant is received.

When the grant relates to an expense item (research and development grants), it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. They are not credited directly to shareholders' equity.

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

(u) Earnings per share – refer note 8

Basic earnings per share is calculated as net profit or loss attributable to members of the parent and divided by the weighted average number of ordinary shares, adjusted for any bonus element.
Diluted earnings per share is calculated as net profit or loss attributable to members of the parent, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(v) Going Concern

This report adopts the going concern basis of accounting, which contemplates the realisation of assets and the discharge of liabilities and commitments in the ordinary course of business.

The Group incurred an operating loss after income tax of $13.4 million for the year ended 30 June 2011 (2010: $8.8 million). As at 30 June 2011, the Group had $5.6m in net cash resources (30 June 2010: $17.4 million).

The Group's business of developing new drugs is dependent on significant expenditure on research and development and ongoing capital raising support from its shareholders and potential investors. Cash flow forecasts indicate a further injection of working capital will be required within the next twelve month period in order for the Group to fulfil its plans for the next stages of research.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Directors believe that the Group will be successful in securing debt or equity funding to provide sufficient levels of working capital, and believe therefore that the Group continues to be a going concern and that it will be able to pay its debts as and when they fall due for a period of 12 months from the date of this report as a result of the following:

(i) As at 30 June 2011 the Group had net assets of $18.9 million and the assets of the Group exceeded liabilities by a ratio of 4.4:1. At the date of this report, the market capitalisation of the Company is in excess of $71 million.

(ii) The Group had cash at its disposal of $5.6 million at 30 June 2011 and had no substantive borrowings from banks or other financial institutions at 30 June 2011.

(iii) The Group has the ability to vary certain research expenditure dependant on the availability of working capital.

(iv) The Group has been successful in raising capital in the past.

On this basis the directors believe that the going concern basis of presentation is appropriate. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Group not have the ability to continue as a going concern.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board, through the Audit and Risk Management Committee, reviews and agrees policies for managing each of these risks as summarised below. This includes the setting of limits of concentration risks with any one financial institutions, credit rate limits and future cash flow forecast projections.

All financial assets and liabilities have contractual maturities of less than six months.

Risk Exposure and Responses

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the income earned on the Group's cash and short term deposits of various deposit terms.

At 30 June 2011, the Group's cash and cash equivalents with terms up to 90 days, and term deposits with terms up to 180 days.

The Group's policy to manage its interest rate risk, given its dependence on cash and cash equivalents at this stage in the Group's development cycle is to keep maturities short generally using 30-90 bank bills and short term money market facilities. The Group constantly analyses its interest rate exposure with respect to renewal of existing positions, alternative investment opportunities / facilities and whether to consider a mix of fixed and variable instruments.

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated as cash flow hedges:

	Consolidated		Parent	
	2011	2010	2011	2010
	$000	$000	$000	$000
Financial assets				
Term deposits	**2,050**	12,050	**2,050**	12,050
Cash and cash equivalents	**3,536**	5,359	**3,364**	5,287
	5,586	17,409	**5,414**	17,337
Financial liabilities				
	–	–	**–**	–
	–	–	**–**	–
Net exposure	**5,586**	17,409	**5,414**	17,337

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk Exposure and Responses (continued)

Sensitivity analysis	Post tax Loss Higher/(Lower)		Equity (excluding accumulated losses) Higher/(Lower)	
	2011	2010	**2011**	2010
Judgement of reasonably possible movements:	**$'000**	$'000	**$'000**	$'000
Consolidated				
Interest rate strengthens +1% (100 basis points)	**(56)**	(174)	**–**	–
Interest rate weakens -0.5% (50 basis points)	**28**	87	**–**	–
Parent				
Interest rate strengthens +1% (100 basis points)	**(54)**	(173)	**–**	–
Interest rate weakens -0.5% (50 basis points)	**27**	87	**–**	–

The Group believes that the carrying amount approximates fair value because of their short term to maturity.

Significant assumptions used in the interest rate sensitivity analysis include:

- Reasonably possible movements in interest rates were determined based on economic forecaster's expectations.
- The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from balance date.

Foreign currency risk

The Group has transactional currency exposure. Such exposure arises from purchases by the Group in currencies other than the functional currency and through foreign currency receipts in the form of milestone, royalty or expense reimbursements under the Group's various drug collaborations. Generally the Group does not use financial instruments to hedge the foreign exchange exposure.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk Exposure and Responses (continued)

Following the 2009 capital raising, the company transferred USD$5 million into a US dollar bank account to fund the preparatory costs of the Company's Phase III trial for HA-Irinotecan, which was incurred predominately in USD. At 30 June 2011 the balance of that account was USD$83,000 (30 June 2010: USD$4,277,393). This was used to fund the remaining start-up costs of the trial. The post recruitment costs will also be predominately US dollar denominated. The Company will determine the appropriate hedging strategy which will be based partly on (1) a direct hedge of the USD exposure to cover the period from the time of approval of fondaparinux to first receipts of revenue from sale of that product and (2) a natural hedge of the USD Phase III exposure from receipt of fondaparinux which will also be US dollar denominated.

The Group's operations in the United States are not significant and relate primarily to administration and local tax regulatory matters. In the past these related principally to Business Development activities, however, effective 1 January 2009 such activities are now based in Australia. The Group maintains a day-to-day USD bank account with a US$20,000 float to cover any minor expenses incurred by Alchemia Inc. The balance is replenished as required.

The Group's exposure to foreign currency risk at the reporting date that are not designated in cash flow hedges was as follows:

	CONSOLIDATED		ALCHEMIA LIMITED	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Financial Assets				
Cash and cash equivalents	96	4,992	76	4,965
Trade and other receivables	–	–	–	–
	96	4,992	76	4,965
Financial Liabilities				
Trade and other payables	458	348	1	12
Net exposure	(362)	4,644	75	4,953

Based on the financial instruments held at 30 June 2011, had the Australian dollar strengthened/weakened by 10% against the above currencies, with all other variables held constant, the Group's post-tax loss for the year would have been (reduced)/higher by:

Sensitivity analysis	Post tax Loss Higher/(Lower)		Equity (excluding accumulated losses) Higher/(Lower)	
	2011	2010	2011	2010
Judgement of reasonably possible movements:	$'000	$'000	$'000	$'000
Consolidated				
AUD strengthens +10%	33	(422)	–	–
AUD weakens -10%	(40)	516	–	–
Parent				
AUD strengthens +10%	(7)	(450)	–	–
AUD weakens -10%	8	550	–	–

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk Exposure and Responses (continued)

Management believes the balance date risk exposures are representative of the risk exposure inherent in those financial instruments.

Significant assumptions used in the foreign currency exposure sensitivity analysis include:

- Reasonably possible movements in foreign exchange rates were determined based on a review of the historical movements and economic forecaster's expectations.
- The reasonably possible movement of 10% was calculated by taking the USD spot rate as at balance date, moving this spot rate by 10% and then re-converting the USD into AUD with the "new spot-rate".
- This methodology reflects the translation methodology undertaken by the Group.

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, short term deposits, trade and other receivables and certain derivative instruments. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Parent's exposure to credit risk for intercompany loans made to subsidiaries arises because those subsidiaries are still in research and development stage, and are not expected to be cash flow positive for some time. The Parent's policy is to write down those balances to the extent such balances are not supported by cash and cash equivalents in the subsidiaries (see Note 22).

The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trades and other receivables.

There are no significant concentrations of credit risk within the Group and financial instruments are spread amongst a number of financial institutions to minimise the risk of default of counterparties.

Liquidity risk

The Group's objective is to maintain a balance between continuity of project research utilising an optimal combination of equity funding, finance and operating lease commitments.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities.

The Group has no financial assets/liabilities due after twelve months.

The Group manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows and matching maturity profiles in financial assets and liabilities.

Through the management techniques outlined above the Group seeks to minimise liquidity risk. The Company's business of developing new drugs is dependent on significant expenditure on research and development. As at 30 June 2011, the Company had $5.6m in net cash resources. To fulfil its plans for the next stage of its drug research, the Company is likely to need additional funds. The Directors believe that the Company will be able to access sufficient additional funding to carry out its intended research and development for at least the next twelve months, and as such these accounts have been prepared on a going concern basis.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Deferred tax assets for losses are not recognised because at this stage, it is not considered prudent until revenues are derived in sufficient amount from the sale of the Company’s various technology platforms.

Impairment of non-financial assets other than goodwill
The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined. Management have tested for impairment in this financial period and are comfortable that no impairment to the carrying value of these assets has occurred.

Capitalised development costs
Development costs are only capitalised by the Group when it can be demonstrated that the technical feasibility of completing the intangible asset is valid so that the asset will be available for use or sale.

Taxation
The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Significant accounting estimates and assumptions

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions.

Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of comprehensive income.

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated.

Impairment of intangibles with definite useful lives (patents)

The Group assesses impairment of intangibles with definite useful lives at each reporting date by evaluating conditions specific to the Group and to the particular intangibles that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

The periodic impairment review of intangibles (both with definite and indefinite lives) and goodwill, in the first instance is based upon an assessment of market changes in technology or cancer treatment protocols which would likely have a negative impact on the commercialisation of the Group's HyACT technology, making it potentially uncompetitive or redundant. To-date there has been, to the best of management knowledge, no such adverse event. As corroborative support for the carrying value of the Group's intangible assets management undertake, every six months, a review of recoverable amount, using a discounted cash flow model, based on the Group's most advanced HyACT clinical candidate, HA-Irinotecan. The cash flow projections cover the remaining patent life of HA-Irinotecan and apply an after-tax discount rate of 18% (2010:18%).

The key assumptions used in the model are all sourced externally (capturing variables from government databases, published industry journals and academic research), including potential patient numbers in adjuvant, first, second and third line metastatic colorectal cancer in the US and European markets (and corresponding market share), cycles of therapy, clinical trial costs, estimated dose charges and costs, and out-licensing royalty rates. Each input is then subject to sensitivity testing to determine their respective impact/significance on the present value calculation. The net present value of this clinical candidate alone comfortably covers the carrying values of the Group's intangibles relating to the HyACT platform.

Share-based payment transactions

The Group measures the cost of equity-settled share-based payments at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted.

5. SEGMENT INFORMATION

Business segment

Alchemia Limited and its subsidiaries' operations are related entirely to the research and development of new human pharmaceuticals.

Geographical Segment	Australia		USA		Eliminations		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	$'000	$000	**$'000**	$000	**$000**	$000	**$000**	$000
Revenues								
Inter-segment revenues	**–**	–	**10**	7	**(10)**	(7)	**–**	–
Other revenues	**1,323**	629	**–**	–	**–**	–	**1,323**	629
Total segment revenues	**1,323**	629	**10**	7	**(10)**	(7)	**1,323**	629
Results								
Segment loss	**(13,828)**	(9,196)	**–**	–	**–**	–	**(13,828)**	(9,196)
Unallocated expenses								
Borrowing costs							**–**	(3)
Consolidated entity loss from continuing activities							**(13,828)**	(9,199)
Income tax benefit							**398**	398
Consolidated entity loss							**(13,430)**	(8,801)
Other segment information								
Segment assets	**30,928**	51,407	**20**	27	**(6,623)**	(14,204)	**24,325**	37,230
Segment liabilities	**7,426**	7,256	**3,162**	3,168	**(5,077)**	(4,725)	**5,511**	5,699
Depreciation and amortisation	**(1,724)**	(1,680)	**–**	–	**–**	–	**(1,724)**	(1,680)
Other non-cash expenses	**(403)**	(788)	**–**	–	**–**	–	**(403)**	(788)
Cash flow information								
Net cash flow used in operating activities	**(11,583)**	(5,652)	**(10)**	(7)	**10**	7	**(11,583)**	(5,652)
Net cash flow from investing activities	**9,450**	(4,989)	**–**	–	**–**	–	**9,450**	(4,989)
Net cash flow from financing activities	**310**	14,726	**–**	–	**–**	–	**310**	14,726
Capital expenditure	**550**	(6)	**–**	–	**–**	–	**550**	(6)

	CONSOLIDATED		ALCHEMIA LIMITED	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
6. EXPENSES				
(a) Depreciation and amortisation:				
Depreciation of property, plant and equipment	399	355	300	318
Amortisation of patent	1,325	1,325	–	–
	1,724	1,680	300	318
(b) Employee benefits expense				
Wages and salaries	2,641	2,576	2,037	1,979
Workers compensation costs	5	3	2	2
Defined contribution plan expense (superannuation)	229	192	176	144
Annual leave provision	45	26	10	21
Long service leave provision	31	34	17	24
Payroll & Fringe Benefit Tax	140	124	106	88
Termination payments and related expenses	(10)	(190)	(10)	(190)
Other employee benefit expenses	(30)	127	(26)	69
Share based payments	403	788	317	703
	3,454	3,680	2,629	2,840
(c) Other				
Change in fair value of derivative asset	–	(205)	–	(205)
Net foreign currency (gains)/loss – other	371	(232)	503	(219)
Operating lease	364	355	364	355

7. INCOME TAX

		CONSOLIDATED		ALCHEMIA LIMITED	
		2011	2010	2011	2010
		$'000	$'000	$'000	$'000
Income Tax Expense					
The major components of income tax expense are:					
Statement of comprehensive income					
Current income tax					
Current income tax charge		(4,027)	(2,450)	(3,804)	(1,917)
Deferred income tax					
Unrecognised tax losses		3,629	2,052	3,804	1,917
Income tax expense/(benefit) reported in the statement of comprehensive income		(398)	(398)	–	–
A reconciliation between the tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:					
Accounting loss before income tax		(13,828)	(9,199)	(13,000)	(7,262)
At the statutory income tax rate of 30% (2010: 30%)		(4,148)	(2,760)	(3,899)	(2,179)
Expenditure not allowable for income tax purposes	a	121	310	95	262
Unrecognised tax losses		3,629	2,052	3,804	1,917
Income tax expense/(benefit) reported in the statement of comprehensive income		(398)	(398)	–	–

(a) **Share based payment expense (consolidated)** :$402,909 at 30% = $120,873(2010: $1,033,915 at 30% = $310,175)
Share based payment expense (parent) : $317,122 at 30% = $95,137 (2010: $874,637 at 30% = $262,391)

	CONSOLIDATED 2011	CONSOLIDATED 2010	ALCHEMIA LIMITED 2011	ALCHEMIA LIMITED 2010
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
Deferred tax liabilities				
Derivative asset	–	–	–	–
Unrealised foreign exchange gains	40	–	–	–
Deferred income	6	85	6	85
Patents	3,478	3,875	–	–
Deferred tax liability	3,524	3,960	6	85
Deferred tax assets				
Employee entitlements	138	115	94	86
Intercompany loan provision	–	–	5,892	3,594
Accruals and provisions	194	114	194	114
Losses available for offset against future taxable income	41,878	38,031	23,563	22,073
Deferred depreciation for tax purposes	422	518	422	518
S40-880 costs	123	149	77	98

Patent costs	778	707	404	406
	43,533	39,634	30,647	26,889
Deferred tax assets not recognised	(43,487)	(39,549)	(30,641)	(26,804)
Gross deferred income tax assets	46	85	6	85

The group has tax losses arising in Australia of $139,592,724 (2010: $126,766,681) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose, subject to satisfying the relevant income tax loss carry forward rules.

	2011	2010
8. EARNINGS PER SHARE	(7.0)	(5.0)

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

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	2011	2010
	$'000	$'000
Net loss used in calculating basic and diluted earnings per share	13,430	8,801
	Number of Shares	
Weighted average number of ordinary shares used in calculating basic earnings per share:	191,424,576	176,570,240

The options are non-dilutive as the Company is in losses.

	CONSOLIDATED		ALCHEMIA LIMITED	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
9.CURRENT ASSETS – CASH AND CASH EQUIVALENTS				
Cash at bank and on hand	355	5,127	183	5,055
Short term deposits	3,181	232	3,181	232
	3,536	5,359	3,364	5,287

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirement of the Group, and earn interest at the respective short-term deposit rates.

10. CURRENT ASSETS – TERM DEPOSITS				
Short term deposits*	2,050	12,050	2,050	12,050
	2,050	12,050	2,050	12,050

* Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

11. CURENT ASSETS – TRADE AND OTHER RECEIVABLES					
Security deposit		20	20	–	–
Trade receivable	(a)	286	292	285	288
		306	312	285	288

(a) Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

(b) As at 30 June 2011, there were no receivables balances that were past due (30 June 2010: $nil).

	CONSOLIDATED		ALCHEMIA LIMITED	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
12. CURRENT ASSETS – OTHER CURRENT ASSETS				
Prepayments	272	125	39	68

13. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT				
Leasehold improvements				
At cost	1,607	1,607	1,607	1,607
Accumulated depreciation	(1,605)	(1,602)	(1,605)	(1,602)
Net carrying amount	2	5	2	5
Plant and equipment				
At cost	8,184	7,634	7,451	7,446
Accumulated depreciation	(7,461)	(7,065)	(7,185)	(6,888)
Net carrying amount	723	569	266	558
Total property, plant and equipment				
At cost	9,791	9,241	9,058	9,053
Accumulated depreciation and amortisation	(9,066)	(8,667)	(8,790)	(8,490)
Total written down value	725	574	268	563
Reconciliations				
Leasehold Improvements				
Carrying amount at start of period	5	7	5	7
Additions				
Depreciation expense	(3)	(2)	(3)	(2)
Carrying amount at period end	2	5	2	5
Plant and equipment				
Carrying amount at start of period	569	917	558	870
Additions	550	6	5	5
Disposals	–	(1)	–	(1)
Depreciation expense	(396)	(353)	(297)	(316)
Carrying amount at period end	723	569	266	558

	CONSOLIDATED			ALCHEMIA LIMITED		
	Patents	Goodwill	TOTAL	Patents	Goodwill	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000
14. NON-CURRENT ASSETS - INTANGIBLE ASSETS AND GOODWILL						
At 1 July 2010	12,918	5,787	18,705	-	-	-
Amortisation at 30 June 2011	(1,325)	-	(1,325)	-	-	-
Net of accumulated amortisation at 30 June 2011	11,593	5,787	17,380	-	-	-
Cost (gross carrying amount) at 1 July 2010	18,330	5,787	24,117	-	-	-
Accumulated amortisation	(6,737)	-	(6,737)	-	-	-
Net carrying amount at 30 June 2011	11,593	5,787	17,380	-	-	-
At 1 July 2009	14,243	5,787	20,030	-	-	-
Amortisation at 30 June 2010	(1,325)	-	(1,325)	-	-	-
Net of accumulated amortisation at 30 June 2010	12,918	5,787	18,705	-	-	-
Cost (gross carrying amount) at 1 July 2009	18,330	5,787	24,117	-	-	-
Accumulated amortisation	(5,412)	-	(5,412)	-	-	-
Net carrying amount at 30 June 2010	12,918	5,787	18,705	-	-	-

Patents include intangible assets acquired through business combinations. These patent costs are amortised on a straight line basis over the remaining lives of the patents of between 8 to 20 years. The patents were acquired with the acquisition of Alchemia Oncology, are all current and relate entirely to intellectual property attached to the Alchemia Oncology's HyACT technology and active research and development programs based on that technology. These assets were tested for impairment as at 30 June 2011.

		CONSOLIDATED		ALCHEMIA LIMITED	
	Note	2011	2010	2011	2010
		$'000	$'000	$'000	$'000
15. NON-CURRENT ASSETS - CONTROLLED ENTITIES					
Investments in controlled entities	22	-	-	17,669	17,583
Non-current receivable to controlled entities (net of provisions)	22	-	-	-	-
		-	-	17,669	17,583
16. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES*					
Trade creditors	(i)	513	163	28	40
Other creditors	(ii)	431	871	335	499
		944	1,034	363	539

Terms and conditions relating to the above financial instruments:
(i) Trade creditors are non-interest bearing and are normally settled on 30 day terms.
(ii) Other creditors are non-interest bearing and have an average term of 30 days.

*Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

	Shut Down	Make good provision	Long service leave	Annual leave	Total
	$'000	$'000	$'000	$'000	$'000
17. CURRENT LIABILITIES – PROVISIONS					
CONSOLIDATED					
At 1 July 2010	101	220	196	188	705
Provided for/(Utilised) during the year	173	14	31	46	264
At 30 June 2011	274	234	227	234	969
Current 2011	**274**	**–**	**184**	**234**	**692**
Non-current 2011	**–**	**234**	**43**	**–**	**277**
	274	**234**	**227**	**234**	**969**
Current 2010	101	–	162	188	451
Non- current 2010	–	220	34	–	254
	101	220	196	188	705

	Shut down	Make good provision	Long service leave	Annual leave	Total
	$'000	$'000	$'000	$'000	$'000
PARENT					
At 1 July 2010	101	220	151	136	608
Provided for/(Utilised) during the year	173	14	18	10	215
At 30 June 2011	274	234	169	146	823
Current 2011	**274**	**–**	**143**	**146**	**563**
Non-current 2011	**–**	**234**	**26**	**–**	**260**
	274	**234**	**169**	**146**	**823**
Current 2010	101	–	127	136	377
Non-current 2010	–	220	24	–	231
	101	220	151	136	608

Make good provision

In accordance with the lease agreement, the Group must restore the leased premises in Brisbane to their original condition upon expiration of the lease. The current lease expires in 2012.

A provision of $47,531 was made during the year ended 30 June 2005 in respect to the Group's obligation to remove leasehold improvements from these leased premises. The provision was revised in 2009, following receipt of the latest make good report. On the basis of that assessment the costs associated with the make good are being recognized on a straight line basis over the lease term, to ensure the full extent of the make good liability is accrued as at the date of the lease expiration. No further amounts were provided during the year nor were any costs incurred to remove the improvements to date.

17. CURRENT LIABILITIES – PROVISIONS (continued)

Shut down provision

This provision consists of surplus lease space following the implementation of the prudent cash management strategy in October 2008. At this time an assessment of Alchemia's leasing requirements was undertaken at its Eight Mile Plains facility in Brisbane, where the majority of retrenchments and project cessation occurred. Following this review it was estimated that a portion of space in the facility was surplus to Alchemia's needs and accordingly a surplus lease provision of $101,154 was raised (representing six month rental on the unoccupied portion of the premises). Since the time of the initial assessment in 2008 it was anticipated that the Company would be able to secure a sub-tenant within approximately 6 months of the execution of the prudent cash management strategy. This was based upon an assessment of the rental market at that time and on advice from the Company's real estate advisors. As at 30 June 2011 the Company was unable to secure a suitable sub-tenant as such an additional $260,037 was reinstated representing the rental on the unoccupied portion of the premises up until the termination of the lease in August 2012.

	CONSOLIDATED		ALCHEMIA LIMITED	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
18. CONTRIBUTED EQUITY				
(a) Ordinary shares				
Issued and fully paid	**118,249**	117,599	**118,249**	117,599

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Movements in ordinary shares on issue	Note	No of Ordinary Shares	$'000
At 1 July 2009		**160,454,086**	**102,626**
Shares issued to employees under the Employee Share Bonus Scheme		525,859	247
Rights Issue		29,269,081	15,513
Transaction costs on share issue		–	(787)
At 1 July 2010		**190,249,026**	**117,599**
Shares issued to employees under the Employee Share Bonus Scheme		871,618	340
Option Conversion		840,000	310
At 30 June 2011		**191,960,644**	**118,249**

(b) Capital Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

19. ACCUMULATED LOSSES & RESERVES

Movement in accumulated losses were as follows:

	CONSOLIDATED		ALCHEMIA LIMITED	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Balance at 1 July	**(89,642)**	(80,841)	**(86,461)**	(79,199)
Net loss	**(13,430)**	(8,801)	**(13,000)**	(7,262)
Balance at 30 June	**(103,072)**	(89,642)	**(99,461)**	(86,461)

Other reserves:

	CONSOLIDATED			ALCHEMIA		
	Options Reserve – employee related	Options Reserve – non employee related	Total	Options Reserve – employee related	Options Reserve – non employee related	Total
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2009	2,330	456	2,786	2,330	456	2,786
Share based payments	756	32	788	671	32	703
Share based payments*	–	–	–	85	–	85
At 30 June 2010	**3,086**	**488**	**3,574**	**3,086**	**488**	**3,574**
Share based payments	63	–	63	62	–	62
Share based payments*	–	–	–	1	–	1
At 30 June 2011	**3,149**	**488**	**3,637**	**3,149**	**488**	**3,637**

*Expense relating to options issued to Alchemia Oncology employees.

Nature and purpose of reserves

Options reserve

Non Employee Options

The Company has issued 205,000 Alchemia options to consultants of both Alchemia Oncology Pty Ltd and Alchemia Limited. As all options have vested in prior year, a nil expense has been recognised in relation to these options in the 30 June 2011 financial statements (2010: $32,431). There were no options issued to consultants in 2011.

2011			
No of options	Exercise price	Vesting date	Expiry date
15,000	$0.855	26 Jul 2009	26 Jul 2012
40,000	$0.465	30 Jun 2009	29 Jun 2012
150,000	$0.335	30 Jun 2010	29 Jun 2013
205,000			

Share options

The Company has a share based payment option scheme under which options to subscribe for the Company's shares has been granted to certain executives and other employees (refer to Note 24).

20. CASH FLOW STATEMENT RECONCILIATION

	Note	CONSOLIDATED		ALCHEMIA LIMITED	
		2011	2010	2011	2010
		$'000	$'000	$'000	$'000
Reconciliation of net loss after tax to net cash flows from operations					
Net loss		(13,430)	(8,801)	(13,000)	(7,262)
Adjustments for					
Fair value of services paid for via issuance of options		63	788	62	703
Provision against non-current assets		–	–	7,667	2,914
Depreciation of non-current assets		399	355	300	318
Amortisation of intangibles		1,325	1,325	–	–
Changes in assets and liabilities					
Decrease/(Increase) in trade and other receivables		6	728	(7,663)	(2,133)
Decrease/(Increase) in other current assets		(137)	(10)	39	(10)
Decrease/ (Increase) in deferred tax assets		79	42	79	42
Increase/(Decrease) in deferred revenue		74	–	74	–
Increase/(Decrease) in trade and other payables		250	468	78	80
Increase/(Decrease) in current provision		241	(33)	186	(61)
Increase/(Decrease) in deferred tax liabilities		(476)	(440)	(79)	(42)
Increase/(Decrease) in non-current provisions		23	(74)	29	(62)
Net cash used in operating activities		(11,583)	(5,652)	(12,228)	(5,513)

21. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities as at 30 June 2011.

22. RELATED PARTY DISCLOSURE

(a) Subsidiaries

The consolidated financial statements include the financial statements of Alchemia Limited (the parent) and the subsidiaries listed in the following table.

Name	Country of Incorporation	Percentage of Equity interest held by the consolidated entity		Investment $'000	
		2011	2010	2011	2010
Alchemia Inc.	United States of America	100%	100%	2	2
Alchemia Oncology Pty Ltd	Australia	100%	100%	17,667	17,581
				17,669	17,583

(b) Ultimate Parent

Alchemia Limited is the ultimate parent of the Group.

(c) Key management personnel (KMP)

Details relating to KMP, including remuneration paid, are included in note 23.

22. RELATED PARTY DISCLOSURE (continued)

(d) Transactions with directors

The following table sets out the amount of fees paid or payable to directors for consultancy services provided to the consolidated entity during the financial year.

Director	2011 $'000	2010 $'000
C Montagner	–	–
T Ramsdale	60	60

(e) Loan to controlled entities

	Consolidated		Parent	
	2011	2010	2011	2010
	$	$	$	$
At cost	–	–	19,641	11,981
Provision for diminution (f)	–	–	(19,641)	(11,981)
	–	–	–	–

(f) Movements of provision of diminution

	Consolidated		Parent	
	2011	2010	2011	2010
	$	$	$	$
Movements in the provision for impairment loss were as follows:				
At beginning of year	–	–	(11,981)	(9,067)
Charge for the year	–	–	(7,660)	(2,914)
At end of year	–	–	(19,641)	(11,981)

23. KEY MANAGEMENT PERSONNEL

(a) Compensation for key management personnel

	Consolidated		Parent	
	2011	2010	2011	2010
	$	$	$	$
Short-term employee benefits	1,601,798	1,542,634	1,376,840	1,317,405
Post-employment benefits	140,373	126,442	113,037	107,679
Other long-term benefits	20,439	21,309	14,025	16,703
Equity-based payment	210,757	742,149	172,815	653,593
Total compensation	1,973,367	2,432,534	1,676,717	2,095,380

Option holdings of key management personnel (consolidated)

30 June 2011	Balance at Beginning of Period	Granted as Remuneration	Options Exercised	Options Forfeited/Expired Cancelled	Balance at End of Period	Vested at 30 June 2011		
	1 July 2010				30 June 2011	Total	Not Exercisable	Exercisable
Directors								
M Bridges	–	–	–	–	–	–	–	–
P Smith	2,600,000	–	–	–	2,600,000	2,600,000	–	2,600,000
C Montagner	–	–	–	–	–	–	–	–
T Ramsdale	–	–	–	–	–	–	–	–
N Withnall	–	–	–	–	–	–	–	–
Executives								
D Green	950,000	–	500,000	–	450,000	450,000	–	450,000
C Walker	–	630,000	–	–	630,000	630,000	630,000	–
T Brown	547,266	–	–	–	547,266	547,266	–	547,266
W Meutermans	470,000	–	–	–	470,000	470,000	–	470,000
M West	470,000	–	–	–	470,000	470,000	–	470,000
Total	**5,037,266**	**630,000**	**500,000**	**–**	**5,167,266**	**5,167,266**	**630,000**	**4,537,266**

23. KEY MANAGEMENT PERSONNEL (continued)

30 June 2010	Balance at Beginning of Period	Granted as Remuneration	Options Exercised	Options Forfeited/Expired Cancelled	Balance at End of Period	Vested at 30 June 2010		
	1 July 2009				30 June 2010	Total	Not Exercisable	Exercisable
Directors								
M Bridges	–	–	–	–	–	–	–	–
P Smith	2,600,000	–	–	–	2,600,000	2,600,000	–	2,600,000
C Montagner	–	–	–	–	–	–	–	–
T Ramsdale	–	–	–	–	–	–	–	–
N Withnall	–	–	–	–	–	–	–	–
Executives								
D Green	950,000	–	–	–	950,000	950,000	–	950,000
T Brown	686,156	–	–	138,890	547,266	547,266	–	547,266
W Meutermans	470,000	–	–	–	470,000	470,000	–	470,000
M West	470,000	–	–	–	470,000	470,000	–	470,000
Total	**5,176,156**	**–**	**–**	**138,890**	**5,037,266**	**5,037,266**	**–**	**5,037,266**

.

Shareholding of key management personnel (consolidated)

Shares held in Alchemia Limited (number)

30 June 2011	Balance 1 July 10	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 11
	Ord	Ord	Ord	Ord	Ord
Directors					
M Bridges	387,936	–	–	62,549	450,485
P Smith	894,334	180,015	–	–	1,074,349
T Ramsdale	1,244,637	–	–	–	1,244,637
C. Montagner	84,015	–	–	–	84,015
Executives					
D Green	1,500,000	–	500,000	(2,000,000)	–
T Brown	196,237	111,186	–	–	307,423
W Meutermans	196,025	60,156	–	–	256,181
M West	535,078	88,243	–	–	623,321
Total	**5,038,262**	**439,600**	**500,000**	**(1,937,451)**	**4,040,411**

23. KEY MANAGEMENT PERSONNEL (continued)

30 June 2010	Balance 1 July 09	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 10
	Ord	Ord	Ord	Ord	Ord
Directors					
M Bridges	328,253	–	–	59,683	387,936
P Smith	603,996	51,079	–	239,259	894,334
T Ramsdale	1,306,999	–	–	(62,362)	1,244,637
C. Montagner	28,200	–	–	55,815	84,015
Executives					
D Green	1,100,836	108,495	–	290,669	1,500,000
T Brown	64,041	102,005	–	30,191	196,237
W Meutermans	123,302	42,565	–	30,158	196,025
M West	380,155	72,602	–	82,321	535,078
Total	**3,935,782**	**376,746**	**–**	**725,734**	**5,038,262**

24. SHARE-BASED PAYMENT PLAN

Recognised share-based payment expenses

The expense recognised from employee services received during the year is shown in the table below:

		CONSOLIDATED		ALCHEMIA LIMITED	
	Note	2011	2010	2011	2010
		$'000	$'000	$'000	$'000
Expenses arising from equity-settled share-based payment transactions		63	788	62	703
Expenses arising from cash-settled share-based payment transactions		–	–	–	–
Total expense arising from share-based payment transactions	19	63	788	62	703

Types of share-based payment plan

Employee Share Option Plan, 'ESOP'

An Employee and Officers Option Plan has been established where Alchemia Limited may, at the discretion of the Board, grant options over the ordinary shares of Alchemia Limited to Directors, Executives and employees of the consolidated entity. The options, issued for nil consideration, are exercisable any time two to three years after the issue date and expire four to five years after the issue date.

24. SHARE-BASED PAYMENT PLAN (continued)

The exercise of the options is not subject to any performance conditions other than the employee remaining in the employ of the Company at the date of exercise. The options cannot be transferred and will not be quoted on the ASX.

The following table illustrates the number and weighted average exercise price of, and movements in, share options issued during the year:

	2011		2010	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance at beginning of year	6,908,404	0.70	6,677,294	0.83
- granted	630,000	0.74	390,000	0.72
- lapsed	–	–	(158,890)	5.11
- forfeited	–	–	–	–
- exercised	(840,000)	0.37	–	–
Balance at end of year	6,698,404	0.75	6,908,404	0.70
Exercisable at end of year	5,438,404	0.75	6,878,404	0.70

Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2011 is 1.16 years (2010 2.19 years)

Range of exercise price

The range of exercise prices for options outstanding at end of the year was $0.335 - $1.725 (2010: $0.335 - $1.725).

Weighted average fair value

The weighted average fair value of options granted during the year was $0.2698 (2010: $0.253)

Options held as at the end of the reporting period:

The following table summarises information about options held by the employees as at 30 June 2011:

Number Issued	Grant date	Vesting date	Exercise Price	Expiry Date
555,000	21 July 2006	21 July 2009	$1.592	20 July 2011
61,404	21 Aug 2006	21 Aug 2009	$1.592	20 Aug 2011
1,100,000	30 Apr 2007	23 Nov 2007	$1.065	29 Apr 2012
450,000	23 May 2007	23 May 2008	$1.135	22 May 2012
10,000	23 May 2007	23 May 2010	$1.725	22 May 2012
372,000	27 Jul 2007	26 Jul 2009	$0.855	26 July 2012
30,000	26 Nov 2007	26 Nov 2010	$0.945	25 Nov 2012
10,000	14 Dec 2007	14 Dec 2010	$1.015	14 Dec 2012
20,000	17 Dec 2007	17 Dec 2008	$0.855	16 Dec 2012
1,490,000	30 Jun 2008	30 Jun 2009	$0.465	29 Jun 2012
1,580,000	30 June 2009	30 June 2010	$0.335	29 Jun 2013
45,000	15 Sep 2009	15 Sep 2009	$1.592	20 Jul 2011
75,000	15 Sep 2009	15 Sep 2009	$0.855	26 Jul 2012
20,000	15 Sep 2009	15 Sep 2009	$0.855	16 Dec 2012
250,000	15 Sep 2009	15 Sep 2009	$0.465	29 Jun 2012
630,000	18 Feb 2011	18 Feb 2012	$0.742	18 Feb 2017
6,698,404				

24. SHARE-BASED PAYMENT PLAN (continued)

Option pricing model

Equity-settled transactions

The fair value of the equity-settled share options granted under the ESOP is estimated as at the date of grant using a Black-Scholes option pricing model taking into account the terms and conditions upon which the option were granted. The model takes into account the share price volatilities and co-variances of the Company.

The following table lists the inputs to the model used for the year ended 30 June 2011 and 30 June 2010.

	2011	2010
Expected volatility (%)	50	90
Risk free interest rate (%)	5.14	5.32
Expected life of options (years)	3	2-3
Dividend yield (%)	-	-
Option exercise price ($)	$0.742	$0.465 - $1.592
Weighted average share price at grant date ($)	0.700	0.515

The expected volatility was determined using the historical average of Company share prices in respect of ESOP spanning the life of the options issued.

	Note	CONSOLIDATED 2011 $'000	CONSOLIDATED 2010 $'000	ALCHEMIA LIMITED 2011 $'000	ALCHEMIA LIMITED 2010 $'000
25. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS					
Employee Benefits					
Current					
The aggregate employee benefit liability is comprised of:					
Accrued wages, salaries, bonus and on-costs		300	470	228	349
Provisions (current)		651	451	563	377
		951	921	791	726
Non current					
Provisions (non-current)		84	34	26	24
		1,035	955	817	750

		CONSOLIDATED		ALCHEMIA LIMITED	
	Note	2011	2010	2011	2010
		$'000	$'000	$'000	$'000
26. EXPENDITURE COMMITMENTS					
(a) Capital expenditure commitments					
Estimated capital expenditure contracted for at reporting date, but not provided for, payable:					
– not later than one year		–	–	–	–
– later than one year and not later than five years		–	–	–	–
– longer than five years		–	–	–	–
		–	–	–	–
(b) Lease expenditure commitments					
(i) Operating leases (non-cancellable):	(i)				
Minimum lease payments					
– not later than one year		417	375	417	375
– later than one year and not later than five years		73	458	73	458
Aggregate lease expenditure contracted for at reporting date		490	833	490	833
(c) R&D Project commitments:	(ii)				
– not later than one year		723	2,029	–	–
– later than one year and not later than five years		–	–	–	–
Total commitments		723	2,029	–	–

(i) The operating leases are in respect of the lease of the Company's premises in Brisbane and three items of equipment.

(ii) The Group has entered into agreements with certain organisations for ongoing research and clinical trials. Under these agreements the Group is committed to providing funds over future periods as set out in note 26 (c.).

	CONSOLIDATED		ALCHEMIA LIMITED	
	2011	2010	2011	2010
	$	$	$	$
27. AUDITORS' REMUNERATION				
The auditor of Alchemia Limited is Ernst & Young				
Amounts received or due and receivable by the auditor of the company for:				
• an audit or review of the financial report of the entity and any other entity in the consolidated entity	82,000	85,000	82,000	85,000
• other services in relation to the entity and any other entity in the consolidated entity:	–	2,833	–	2,833
	82,000	87,833	82,000	87,833
Amounts received or due and receivable by non Ernst & Young audit firms for:				
Accounting and Taxation services	64,647	24,200	64,647	24,200
	64,647	24,200	64,647	24,200

28. SUBSEQUENT EVENTS

It should be noted that on 11 July 2011, Alchemia's partner, Dr Reddy's Laboratories Ltd (Dr Reddy's), received approval from the US FDA for the sale of fondaparinux sodium. Subsequently, fondaparinux sodium was launched in the US by Dr Reddy's. On 9th August, Alchemia became aware that GlaxoSmithKline (GSK) and Apotex had launched an authorized generic version of GSK's fondaparinux. Due to the launch of an authorized generic, Alchemia's profit share arising from sales made by Dr Reddy's reduces from 60% to 50%.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Alchemia Limited, I state that:

(1) In the opinion of the Directors:

(a) The financial statements, notes, and the additional disclosures included in the directors report and designated as audited, of the Company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2011 and of their performance for the year ended on that date; and

(ii) Complying with Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2; and

(c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial period ending 30 June 2011.

On behalf of the Board

P Smith
Managing Director and Chief Executive Officer

Signed at Brisbane on 26 August 2011

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Independent auditor's report to the members of Alchemia Limited

Report on the financial report

We have audited the accompanying financial report of Alchemia Limited, which comprises the balance sheets as at 30 June 2011, the statements of comprehensive income, the statements of changes in equity and the cash flow statements for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, 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 controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

a. the financial report of Alchemia Limited is in accordance with the *Corporations Act 2001*, including:

    i giving a true and fair view of the company's and consolidated entity's financial positions as at 30 June 2011 and of their performance for the year ended on that date; and

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

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

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 2 in the financial report which indicates that the consolidated entity incurred a net loss of $13,430,000 during the year ended 30 June 2011 (2010: $8,801,000). As a result of the matters as set out in Note 2, the company needs to raise further funds to meet its obligations. Should those funds not be available, there is significant uncertainty whether the company and the consolidated entity will continue as going concerns, and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company and/or the consolidated entity not continue as going concerns.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Alchemia Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Mark Hayward
Partner
Brisbane
26 August 2011

Shareholder Information

ALCHEMIA LIMITED ABN 43 071 666 334

Registered Office:
3 Hi-Tech Court
Brisbane Technology Park
Eight Mile Plains QLD 4113
Postal Address:
PO Box 4851
EIGHT MILE PLAINS QLD 4113
Telephone: (07) 3340 0200
Facsimile: (07) 3340 0222
Internet: www.alchemia.com.au

Annual General Meeting
Alchemia Limited's Annual General Meeting will be held at 11.00am on Wednesday 23 November 2011 at:
Tattersall's Club
215 Queen Street
Brisbane, Queensland, 4000

Share Registry
Shareholder information in relation to shareholding or share transfers can be obtained by contacting the Company's share registry:
Link Market Services, Locked Bag A14, Sydney South NSW 1235
Telephone: (02) 8280 7111
Facsimile: (02) 9287 0303; Facsimile: (02) 9287 0309 (for proxy)
Email: registrars@linkmarketservices.com.au
Internet: www.linkmarketservices.com.au

For all correspondence to the share registry, please provide your Security holder Reference Number (SRN) or Holder Identification Number (HIN).

Change of Address
Changes to your address can be updated online or by completing a Change of Address Form. CHESS sponsored investors must change their address details via their broker.

Annual Report Mailing List
All shareholders are entitled to receive the Annual Report. In addition, shareholders may nominate not to receive an Annual Report by advising the share registry in writing, by fax, or by email, quoting their SRN/HIN.

Stock Exchange Listing
Alchemia's shares are listed on the Australian Stock Exchange and trade under the ASX code ACL. The securities of the Company are traded on the Australian Stock Exchange under CHESS (Clearing House Electronic Sub-register System).

Voting Rights
Shareholders in Alchemia Limited have a right to attend and vote at general meetings. At a general meeting, individual shareholder may vote in person or by proxy.

- Show of hands – One vote per shareholder
- Poll – One vote for each share held by registered holders

Board of Directors

Mel Bridges BAppSc FAICD
Chairman

Mel Bridges joined the Alchemia Board as Non-Executive Chairman in September 2003. He has over 30 years experience in the biotechnology and healthcare industries. During this period, Mel founded and managed successful diagnostics, biotechnology and medical device businesses. He co-founded ASX listed companies Panbio Limited and ImpediMed Limited.

During the past three years Mel has also served as a director of the following other listed companies:

ImpediMed Limited - appointed as a Director (September 1999) and subsequently as Chairman -March 2004.
Incitive Limited Chairman – appointed Director in November 2007. Resigned June 2010.
Benitec Limited Non-Executive Director - appointed Director in October 2007.
Genera Biosystems Limited Non-Executive Director – appointed in December 2008. Resigned November 2010.
Tissue Therapies Limited Non-Executive Director – appointed March 2009
Campbell Brothers Limited – appointed Septmber 2009.

Mel is a Fellow of the Australian Institute of Company Directors.

Mel is also a member of both Alchemia's Audit and Risk, and Remuneration Committees and is chairman of the Nomination Committee

Pete Smith PhD

Chief Executive Officer and Managing Director

Peter Smith joined Alchemia in May 2006 and was appointed Head of Alchemia's Commercialization and Business Development Division. He was appointed to the role of CEO and Managing Director on 26 April 2007.

During the past three years Peter has not served as a director of another listed company.

Previously Peter was CEO and Managing Director of Australian listed biotech Amrad Limited. He founded UK biotech company Onyvax and was a top-rated pharmaceutical industry analyst at European Investment Banks UBS and HSBC. Peter holds a PhD in Biochemistry and a MA from Cambridge University.

Nerolie Withnall BA LLB FAICD

Non-Executive Director

Nerolie Withnall joined the Board in October 2003. She is a former partner of Minter Ellison Lawyers. In 2001 she retired from the law after practising for more than 30 years in Sydney, Darwin and Brisbane.

During the past three years Nerolie has also served as a director of the following other listed companies:

Campbell Brothers Ltd - appointed Director 1994 and Deputy Chairman and "Chairman Designate" in July 2011.
PanAust Limited - appointed Director in May 1996.

Redcape Property Fund Limited (formerly Hedley Leisure & Gaming Property Partners Limited) - appointed Director in June 2007. Retired November 2010.
Computershare Limited - appointed Director in July 2008.

She was previously Director and Chairman of QM Technologies Limited (appointed September 2003, resigned April 2008 following completion of the takeover by Computershare Limited).

She has also held the positions of Deputy President of the Takeovers Panel, a member of the Corporations and Markets Advisory Committee (retiring in March 2010), and a member of the Senate of the University of Queensland (retiring December 2009).

Nerolie is Chairman of Alchemia's Audit and Risk Committee.

Tracie Ramsdale PhD

Non-Executive Director

Tracie Ramsdale is one of the founders of Alchemia and led the Company's development as its General Manager and Chief Executive Officer from 1998 to 2007. Tracie joined the Alchemia Board in July 2003. Tracie originally trained as a synthetic organic chemist, obtaining a Master of Pharmacy from the Victorian College of Pharmacy in 1987 and a PhD in Biochemistry from the University of Queensland in 1994.

During the past three years Tracie has also served as a director of the following other listed companies:

Incitive Limited Non-Executive Director - appointed Director in November 2007; resigned November 2008

Tracie is a member of the Australian Advisory Council on Intellectual Property and a member of the Australian Institute of Company Directors.

Tracie is a member of Alchemia's Remuneration Committee and Chairman of Alchemia's Scientific Advisory Board.

Carlo Montagner

Non-Executive Director

Carlo Montagner joined the Board in March 2008. Mr. Montagner has held numerous executive positions abroad with high profile pharmaceutical companies, including President of Abraxis Bioscience; Executive Vice President and Head of Global Oncology for Schering, A.G.; Head of Oncology and Cardiovascular for Sanofi-Aventis Japan and Global Senior Director of Marketing and Medical Affairs, managing the commercialization of Taxotere. Mr. Montagner returned to Australia in 2008 and is currently CEO of privately held Specialised Therapeutics Australia and a director of Abraxis Bioscience Australia Pty Ltd.

Mr Montagner has been a member of the Australian Institute of Company Directors since 1998.

During the past three years Carlo has also served as a director of the following other listed companies:

Circadian Technologies Limited – appointed Director July 2008.

Carlo is Chairman of Alchemia's Remuneration Committee and a member of the Audit & Risk Committee.

Senior Management

Charles Walker

Chief Financial Officer

Charles was appointed in March 2011. He has a BSc. (Hons) in pharmacology from the University of Bristol and an MBA from Warwick Business School. His career has been spent working with international life sciences companies in a number of transactions including mergers, acquisitions, initial public offerings and a range of innovative financings. Charles has been directly involved in over 40 corporate transactions including 15 Initial Public Offerings. He is a Registered Representative with the UK FSA and a Member of the Securities Institute in the UK.

Stephen Denaro CA

Company Secretary

Stephen was appointed in February 2011 and has extensive experience in mergers and acquisitions, business valuations, accountancy services, and income tax compliance gained from positions as Company Secretary and Chief Financial Officer of various public companies, and with major chartered accountancy firms in Australia and the United Kingdom. He provides Board and Company Secretarial services for a number of start up technology and public companies.
Stephen has a Bachelor of Business in Accountancy, Graduate Diploma in Applied Corporate Governance, and is a member of the Institute of Chartered Accountants in Australia, and the Australian Institute of Company Directors.

Wim Meutermans PhD

Vice President of Discovery

Wim Meutermans joined Alchemia in April 2000 and is responsible for Alchemia's early drug discovery programs. He has worked for 15 years in the medicinal chemistry field, including 10 years in management roles on both academic and industrial projects. He has published extensively with over 45 journal publications and is co-inventor of 12 patents. Wim obtained his PhD from the Katholieke Universiteit Leuven in Belgium.

Michael West PhD

Vice President of Intellectual Property and Technology Transfer

Michael joined Alchemia in 1997 after holding positions in academic research at University of Queensland and in industry at GlaxoSmithKline. A registered Patent & Trade Mark attorney, Michael is responsible for the management of the Alchemia groups intellectual property protection and IP strategy. In his technology transfer capacity Michael manages the process development, scale-up and manufacturing of the fondaparinux project. Michael has responsibility for relationship management with Alchemia's manufacturing partners and co-ordinates in-house and outsourced manufacturing.

Tracey Brown PhD

Vice President of Preclinical Development, and Acting Vice President of Development.

Tracey joined Alchemia in 2006 as a result of the successful acquisition of Meditech. She is responsible for the evaluation of lead compounds from both Alchemia's discovery and HyACT® programs where her primary role is to take the potential therapeutics into both non-clinical and clinical development.

Over the last 28 years, Tracey has researched the biochemistry and therapeutic applications of carbohydrates, where this experience culminated in the invention of the HyACT platform and the development of three drugs from conception through to successful clinical evaluation. During her career, Tracey has gained international experience in managing both academic and commercial scientific teams and as the Head of Preclinical Development, Tracey directs Alchemia's team at Monash University where she holds an adjunct position as an Associate Professor in the Department of Biochemistry and Molecular Biology.