The Directors present their report together with the financial report of Hexima Limited ('the Company' or 'Parent Entity') and of the group, being the Company and its subsidiaries for the financial year ended 30 June 2009 and the auditor's report thereon.

Directors

The Directors of Hexima Limited ('the Company') at any time during or since the end of the financial year are:

G F Dan O'Brien

BSc, BVMS (Murdoch University), MBA (Harvard University)

Non-Executive Chairman

Dan O'Brien was appointed Chairman of the Company on 1 July 2008. He was Managing Director and Chief Executive Officer of Hexima from October 2005 until 30 June 2008. Mr O'Brien has extensive agribusiness experience including farming investments and executive and non-executive roles with King Island Dairy Limited, Tasman Agriculture Limited, Colly Farms Cotton Limited, SPC Ardmona Limited, Coates Hire Limited (2003 – 2007) and Select Harvests Limited. His previous roles include Chief Executive Officer positions with BIL Australia, Mattel Asia Pacific and The King Island Company Limited.

Mr O'Brien has been a director of Thomas and Coffey Limited since 2005.

Mr O'Brien is aged 53. He has been a Director of the Company since 17 May 2002 and is a member of the Remuneration and Audit and Risk Management Committees.

Professor Adrienne E Clarke AC

FAA, FTSE, BSc (Hons), PhD (The University of Melbourne)

Non-Executive Deputy Chairman
(formerly Chief Science Officer)

Professor Adrienne Clarke is a founding member of Hexima, and served as the Chief Science Officer from April 2006 until 30 June 2009. Professor Clarke is Laureate Professor at The University of Melbourne. She was appointed to a Personal Chair at the School of Botany (awarded in 1982) and is past Director of the Plant Cell Biology Research Centre, The University of Melbourne (1982-1999), former Chairman of CSIRO (1991-96), former Lieutenant Governor of Victoria (1997-2000) and former Ambassador for Biotechnology for Victoria (2001-2003). She was made an Officer of the Order of Australia in 1991 and a Companion of the Order of Australia in 2004.

Professor Clarke was President of the International Society for Plant Molecular Biology (1997-98). She is a Foreign Member, American Academy of Arts and Science; Foreign Associate, National Academy of Sciences, USA; Companion, The Institute of Engineers, Australia; Fellow, Australian Academy of Science; and Fellow, Australian Academy of Technological Sciences and Engineering.

Professor Clarke was formerly a Director of WMC Limited, Woolworths Limited (1994 – 2007) and Fisher & Paykel Healthcare Limited (2002 – 2008).

Professor Clarke is aged 71. She has been a Director of the Company since 15 November 2001. From 1 July 2009, Professor Clarke serves in a non-executive capacity and has become a member of the Remuneration and Audit and Risk Management Committees.

Joshua T Hofheimer

AB (Dartmouth College), JD (Harvard Law School)

Chief Executive Officer/Managing Director

Joshua Hofheimer became CEO and Managing Director of Hexima in July 2008. Mr Hofheimer has extensive experience in the agricultural science and biotechnology sectors, in structuring and negotiating complex commercial transactions and joint ventures with both start-ups and global industry leaders.

Mr Hofheimer's previous role was Partner at Sidley Austin LLP, a Los Angeles based international law firm. In the last 7 years with the firm, he specialised in the plant biotechnology sector, including developing and implementing business strategies for commercialisation of multiple intellectual property platforms. He also served as a leader in the firm's Intellectual Property and Commercial Transactions Practice.

Mr Hofheimer was formerly a member of several boards, including the Jonsson Cancer Center Foundation at UCLA and the Zimmer Children's Museum, and is active in charitable foundations such as the EIF Revlon Run/Walk for Women's Cancers.

Mr Hofheimer is aged 40.

Steven M Skala

BA, LLB (Hons) (University of Qld), BCL (Oxford University)

Non-Executive Director
(formerly Non-Executive Chairman)

Steven Skala is Vice Chairman, Australia and New Zealand of Deutsche Bank AG. He retired from legal practice after almost 25 years experience in commercial law. Between 1985 and 2004 he was a partner of law firm, Arnold Bloch Leibler, and was Head of its Corporate and Commercial Practice for several years.

Mr Skala is a Director of the Australian Broadcasting Corporation, Deutsche Australia Limited, Max Capital Group Limited, Wilson HTM Investment Group Limited, The Australian Ballet and The Centre for Independent Studies. He is also Vice President of The Walter and Eliza Hall Institute for Medical Research and was previously Chairman of Film Australia Limited.

Mr Skala is aged 53. He has been a Director of the Company since 17 May 2002 and was Chairman of the Company until 30 June 2008. He is also a member of the Remuneration and Audit and Risk Management Committees.

Hugh M Morgan AC

LLB, BComm (The University of Melbourne)

Non-Executive Director

Hugh Morgan is Principal of First Charnock Pty Ltd, Chairman of Biodiem Limited and a member of the Lafarge International Advisory Board. He is also a Trustee Emeritus of The Asia Society New York, President of the National Gallery of Victoria Foundation and Chairman of the Order of Australia Association Foundation.

Mr Morgan was a Director of the Board of the Reserve Bank of Australia until July 2007 and he was President of the Business Council of Australia from 2003-2005. He is also immediate Past President of the Australia Japan Business Co-operation Committee and immediate Past Co-Chair of the Commonwealth Business Council, and continuing Director.

Mr Morgan was Chief Executive Officer of WMC Limited from 1986 to 2003. He was a Director of Alcoa of Australia from 1977 to 1998 and a Director of Alcoa Inc from 1998 to 2001.

Mr Morgan is aged 68. He has been a Director of the Company since 10 May 2007. He is Chairman of the Audit and Risk Management Committee and a member of the Remuneration Committee.

Professor Jonathan West
BA (University of Sydney), PhD (Harvard University)

Non-Executive Director

Professor Jonathan West is the Director of the Australian Innovation Research Centre. Prior to assuming his current appointment, he taught for 18 years at the Harvard University Graduate School of Business Administration, where he was Associate Professor, founding Director of the Harvard University Life Sciences Initiative, and from 1998-1999 the Novartis Faculty Research Fellow. He has been Visiting Professor at Hitotsubashi University and the Nomura School of Advanced Management in Tokyo, Japan and Visiting Professor at the University de Paris IX-Dauphine, Sorbonne.

Professor West is also Chairman of the Asia Advisory Council of Bunge Ltd, one of the world's largest agribusiness processing and trading companies, and has served as an advisor to other major corporations and several Governments around the world, including in the life sciences field, DuPont, Roche, Novartis, Syngenta and the J.R. Simplot Company, along with the Governments of Singapore, Japan, Hong Kong and France. He was a member of the Scientific Advisory Board of the Novartis Agricultural Discovery Institute in La Jolla, California. In Australia, he has served on the Prime Minister's Science, Engineering, Innovation Council's Working Group on Science and Technology in China and India and in 2006 was 'Eminent Thinker in Residence' with the Premier of NSW.

Professor West is aged 52. He has been a Director of the Company since 7 November 2005. He is Chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee.

Company Secretary
Ms Justine Heath FCA was appointed to the position of Company Secretary of Hexima Limited in December 2007. Ms Heath has experience across a range of industries and previously held senior finance roles with the Faulding Group and Santos Limited.


Mr O'Brien


Prof Clarke


Mr Hofheimer


Mr Skala


Mr Morgan


Prof West

Since the date of this report, Mr Skala has been appointed as Chairman of the Company, effective 2 October 2009. Mr O'Brien has resigned as a Director of the Company as of this date.

Directors' Meetings
The number of Directors' meetings (including meetings of committees of Directors) and the number of meetings attended by each of the Directors of the Company during the financial year are:

	Board Meetings		Audit and Risk Management Committee		Remuneration Committee	
	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended
GF Dan O'Brien	11	11	2	2	2	2
Adrienne E Clarke[2]	11	11	-	-	-	-
Joshua T Hofheimer	11	11	-	-	-	-
Steven M Skala	11	10	2	2	2	2
Hugh M Morgan	11	10	2	2	2	1
Jonathan West	11	10	2	2	2	2

1 Number of meetings held during the time the Director held office during the year.

2 Professor Clarke joined the Audit and Risk Management and Remuneration Committees from 1 July 2009.

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with ASX Corporate Governance Council recommendations, unless otherwise stated.

The Board of Directors

The Board is responsible for the direction and supervision of Hexima's business on behalf of the Shareholders, by whom they are elected and to whom they are accountable.

The Board's responsibilities include:

- protecting and enhancing the value of Hexima's assets;
- setting strategies and directions, then monitoring and reviewing progress against these strategic objectives;
- reviewing and ratifying internal controls, codes of conduct and legal compliance;
- ensuring the significant risks facing Hexima have been identified and adequate control, monitoring and reporting mechanisms are in place;
- approving transactions relating to acquisitions, divestments and capital expenditure above delegated authority limits; and
- approving and monitoring financial and other reporting.

The Board has adopted a Board Charter, which sets out values and business behaviours necessary to maintain confidence in Hexima's integrity. It includes a trading policy governing trading in securities by Directors, officers and employees and details the respective roles and responsibilities of the Board and management.

The Board has delegated responsibility for operation and administration of the Company to the Managing Director and executive management. Responsibilities are delineated by formal authority delegations.

Directors and Executive Education

Incoming Directors and Executives participate in informal meetings to increase their understanding of the Company, its key assets and the competitive market in which it operates. Through these meetings, Directors and executives review the Company's policies and procedures for good corporate governance, including delegations and reservations of authority and the roles of key personnel and Board committees. They have access to continuing education to update and enhance their skills and knowledge. A review of the performance of the Board will be undertaken annually by the Chairman, in consultation with the Board.

Composition of the Board

The Constitution of the Company provides that the number of Directors shall not be less than three. There are currently six Directors in office at the date of this report and their names and qualifications are set out on pages 30 to 31 of this Directors' Report.

The ASX best practice recommendations require a majority of the Board to be independent Directors and the chairperson to be an independent director. Currently, the Board has one director who satisfies the ASX guidelines for independence (being Jonathan West). Mr Dan O'Brien, Mr Steven Skala, Mr Hugh Morgan and Professor Adrienne Clarke (from 1 July 2009) are Non-Executive Directors but do not qualify as independent because of their shareholdings in Hexima, and in Mr O'Brien and Professor Clarke's case, due to their previous executive roles with the Company. The Board considers their significant commitment as shareholders (which aligns their interests with those of other shareholders) and broad experience as directors of other companies provide advantages to the Board which outweigh any disadvantage in them not satisfying the ASX guidelines for independence. The Board will review this position at least annually.

Board Committees

To assist in the execution of its responsibilities, the Board has established a number of board committees including a Nomination Committee, a Remuneration Committee, an Audit and Risk Management Committee and a Communications Committee (established on 18th August 2009). These committees have written mandates and operating procedures, which are reviewed on a regular basis.

The full Board has 12 meetings scheduled for the coming year. Extraordinary meetings will be convened at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for meetings is prepared in conjunction with the Chairman and the Chief Executive Officer/Managing Director. Submissions are circulated in advance. Executives are regularly involved in Board discussions.

Nomination Committee

The Board has in place a Nomination Committee to assist it in ensuring the Board has an effective composition, size and commitment.

The Nomination Committee develops criteria for Board membership, identifies specific individuals for nomination as Directors and establishes processes for the review of the performance of individual Directors and the Board as a whole. In addition, it is the policy of the Nomination Committee to meet as early as practicable prior to the expiration of the term of office of a Director to consider suitably skilled and experienced individuals for nomination as Directors.

Further details of the Nomination Committee's charter form part of the Board Charter, which is available on the Company's website.

Each of the non-executive Directors are currently on the Nomination Committee. The Board reviewed the structure of the Board and senior executive teams throughout the current financial year within existing scheduled Board meetings. Formal meetings of the Nomination Committee will be scheduled for the coming financial year as required.

Remuneration Committee

The Board will review and reward the performance of the senior management team. In doing so, they will consider recommendations from the Remuneration Committee.

The Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to Key Executives and Directors. The Remuneration Committee Charter forms part of the Board Charter, which is available on the Company's website.

The Remuneration Committee will consist of at least three Directors, a majority of whom are Non-Executive Directors and at least one of whom is an independent director. This differs from the ASX best practice recommendations which require a majority of independent Directors and an independent Chairman. Given the current composition of the Board, it is not possible for Hexima to satisfy the ASX recommendations as to independence. The current members are Professor Jonathan West (Chairman), Mr Dan O'Brien, Mr Steven Skala, Mr Hugh Morgan and Professor Adrienne Clarke (from 1 July 2009).

The Remuneration Committee meets at least twice a year in order to review and make recommendations to the Board. The Remuneration Committee met twice during the year and the committee members' attendance record is disclosed in the table of Directors' meetings on page 19. In addition, remuneration issues were addressed at a number of meetings of the full Board during the year.

The Remuneration Committee may invite any executive management team members or other individuals to attend meetings of the Remuneration Committee as it considers appropriate. The Remuneration Report is set out on pages 24 to 28 and forms part of the Directors' Report for the financial year ended 30 June 2009.

Audit and Risk Management Committee

The Board has in place an Audit and Risk Management Committee to assist it in verifying and safeguarding the integrity of Hexima's financial reporting. The Audit and Risk Management Committee Charter forms part of the Board Charter, which is available on the Company's website.

The Audit and Risk Management Committee reviews the financial information which is provided to Shareholders and others, the systems of internal controls which management and the Board have established and the audit process.

The Audit and Risk Management Committee also reviews the performance of the external auditors on an annual basis and normally meets with them during the year to:

- discuss the external audit and internal audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed;
- review the half-year and preliminary final report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend board approval of these documents, prior to announcement of results;
- review the draft annual and half-year financial report, and recommend board approval of the financial report; and
- review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.

Audit and Risk Management Committee meetings are to be held periodically throughout the year. It is the policy of the Board that the members of the Audit and Risk Management Committee should be Non-Executive Directors, at least one of whom should also be independent. This differs from the ASX best practice recommendations which require a majority of independent Directors and an independent Chairman. Given the current composition of the Board, it is not possible for Hexima to satisfy the ASX recommendations as to independence. The current Audit and Risk Management Committee comprises Mr Hugh Morgan as Chairman, Mr Steven Skala, Mr Dan O'Brien, Professor Jonathan West and Professor Adrienne Clarke (from 1 July 2009).

The Chief Executive Officer/Managing Director, Chief Financial Officer and external auditors will generally attend all Audit and Risk Management Committee meetings. The Audit and Risk Management Committee met twice during the year and the committee members' attendance record is disclosed in the table of Directors' meetings on page 19.

The Chief Executive Officer/Managing Director and the Chief Financial Officer have declared in writing that the records for the year have been properly maintained, the Company's financial reports for the year ended 30 June 2009 comply with accounting standards and present a true and fair view of the Company's financial condition and operating results. This statement is required annually.

Communication with Shareholders

Hexima's policy is to provide timely, open and accurate information to all stakeholders, including shareholders, regulators and the wider investment community. The Board Charter includes a continuous disclosure protocol to ensure compliance with the Corporations Act 2001 and the Listing Rules disclosure requirements.

In summary, the Company's continuous disclosure protocol operates as follows:

- the Board has delegated its responsibility for approving public announcements to the Communications Committee (established 18th August 2009), comprising the Chairman and the Chief Executive Officer/Managing Director;
- the Company Secretary is responsible for ensuring all communications with the ASX are made in a timely and appropriate manner;
- the full Annual Financial Report and Half-Yearly results commentary are lodged with the ASX and are available on the Company's website and is sent to all shareholders who request them;
- the Annual Financial Report and the Half-Yearly Accounts are lodged with the ASX and sent to any shareholder on request; and
- all media releases and information provided to analysts or the media during briefings are released to the ASX.

Hexima's communications strategy is set out in the Board Charter and is designed to promote effective communication with Shareholders and encourage effective participation at general meetings.

Risk Management

The Board is responsible for the assessment of risk.

Intellectual Property

Intellectual Property is Hexima's most important asset and protection of its IP portfolio is critical to the Company's ability to implement its business strategy. Hexima has consistently invested significant amounts in the development and maintenance of this IP portfolio.

Hexima's IP Committee, chaired by Professor Marilyn Anderson, meets regularly to identify and monitor the creation of IP and to monitor and review claims in the same technical field filed by other companies. The Committee works closely with Hexima's US and Australian patent attorneys.

The Committee also develops and maintains appropriate protocols for recording research results and maintaining the confidentiality of know-how and information associated with Hexima's trials and technology.

Regulatory Framework (including Environmental Regulation)

The use of ag-biotechnology is regulated in the majority of countries in which Hexima will seek to commercialise its technology. The regulatory framework, which varies from country to country, is generally based on an assessment of the risk associated with the technology.

In Australia, the use of ag-biotechnology is regulated by the Gene Technology Act 2000. Hexima's gene technology research at The University of Melbourne and La Trobe University is overseen by the Office of the Gene Technology Regulator and all field trials conducted by Hexima have been specifically licensed by the office of the Gene Technology Regulator.

Financial Reporting

The Chief Executive Officer/Managing Director and the Chief Financial Officer have declared in writing to the Board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

Monthly actual results are reported against budgets approved by Directors and revised forecasts for the year are prepared regularly.

Funds Management

The Company has considerable funds on deposit following its successful IPO in 2007. The Company's policy is to invest these funds in term deposits or bank bills.

Ethical Standards

All Directors, executives and employees are expected to act with the utmost integrity at all times to enhance the reputation and performance of the Company. Every employee has a supervisor to whom they may refer any issues arising from their employment.

Conflicts of Interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The Board has procedures to assist Directors to disclose potential conflicts of interest.

Trading in Company Securities by Directors and Employees

The Company has a policy regarding the trading in Company securities by Directors and employees. The policy details the insider trading provisions of the Corporations Act and provides for Directors, executives and employees to be able to trade at any time except when there is a 'black-out', subject to their having obtained approval from the Company Secretary. Company-wide 'black-outs' will occur for a period commencing 6 weeks prior to the release of the half-year and annual results and ending 24 hours after such a release and for a period commencing 2 weeks prior to the Company's annual general meeting and ending 24 hours after the annual general meeting. Black-outs can occur at any other time for the Company or for certain individuals prior to any major announcement or when they are possession of price sensitive information.

All new employees and all existing employees (on an annual basis) are required to sign an acknowledgement that they are aware of the Company's Share Trading Policy.

Independent Advice

Each Director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice at the Company's expense. A copy of the advice received by the Director will be made available to all members of the Board.

The principal activity of the Group during the financial year was the research, development and commercialisation of technology for the genetic modification of crops, primarily to enhance their resistance to insects and fungal pathogens.

Operating and Financial Review of the Group and the Company

	The Group and the Company	The Company
$000	2009	2008
Revenue	1,046	1,156
Net loss before financing income/expense	(13,358)	(5,441)
Net financing (costs)/income	2,082	2,411
Income tax expense	-	-
Net loss after tax attributable to members	(11,276)	(3,030)
Dividends	NIL	NIL
Basic earnings/(loss) per share (cents)	(14.4)	(4.5)

Summary

The Board is pleased with the commercial and scientific progress made by the Group in a challenging economic environment.

Since listing in 2007:

- Hexima has entered into its first development and commercialisation agreement for one of its major technology platforms, fungal disease control. This agreement secures the commercial path to market for the technology in corn and soy, the two major crops, currently accounting for more than 80% of the area planted to GM crops.
- As part of this agreement, the Group acquired intellectual property rights valued at $6.0m, recorded as a non-cash R&D expense in the year ended 30 June 2009 (see Operating & Financial Review).
- The Group has achieved important scientific goals, which materially advance its technologies.
- The Group has conserved cash and operated below internal budgets and publicly announced expenditure estimates.

At 30 June 2009, the Group has $30.5m in cash and interest receivables, which provide a strong base to fund the Group's activities as it advances its technologies to market.

Operating and Financial Review

The Group had net cash outflows from operating activities of $7.164 million for the year ended 30 June 2009 compared with $6.072 million for the prior period, reflecting the expansion of the Group's research and development activities.

The Group and the Company recorded a loss after tax of $11.276 million for the year ended 30 June 2009. The Company recorded a loss after tax of $3.030 million for the previous year. This result reflects the expansion of the Group's activities in researching, developing and commercialising its technologies and a non-cash research and development expense of $6.0 million.

The non-cash research and development expense of $6.0 million was recorded after the Group entered into a co-development and commercialisation agreement on 7 August 2008 with DuPont agricultural business, Pioneer Hi-Bred International, Inc. (DuPont/Pioneer). As part of this agreement to commercialise fungal resistance technology, Hexima acquired intellectual property rights valued at $6.0 million. As consideration, and pursuant to a placement agreement, Hexima issued 4,000,000 ordinary shares at $1.50 per share. The financial effects of this transaction have been recorded as a research and development expenditure of $6.0 million with a corresponding increase in share capital.

Net finance income for the Group and the Company for the financial year ended 30 June 2009 was $2.082 million. The net finance income for the Company was $2.411 million for the previous year, reflecting lower cash balances as cash is utilised and lower interest rates in the current reporting period.

Outlook

During the financial year Hexima announced its first definitive development and commercialisation agreement with DuPont/Pioneer. The agreement provides for the development and commercialisation of transgenic anti-fungal protein disease technology and sets out milestone payments and royalties.

Pioneer and Hexima have combined intellectual property and anti-fungal protein assets to create a single, exclusive program for the development and commercialisation of transgenic anti-fungal protein disease technology. Hexima is leading the initial stage crop validation and Pioneer will lead the late stage development. As part of the agreement, Pioneer will commercialise the technology in its major crops, corn and soy, and Hexima will control the technology in all other crops.

The initial target is broad-spectrum disease fungal resistance in corn. Fungal pathogens cause extensive damage to corn and the problem is growing as intensive farming techniques and reduced crop rotations combine to encourage fungal growth. In the largest GM corn markets, the United States and Brazil, it is estimated that fungal disease causes yield losses worth approximately US$8 billion each year.

As well as establishing a clear path to market for the two largest GM crops, corn and soy, the agreement represents a significant validation of the Group's technology and scientific expertise.

The Group also continues to progress the development and commercialisation of its other technologies: insect resistance technology and the Multi-Gene Expression Vehicle (MGEV). The Group has been awarded a grant under the Federal Government's Climate Ready Program to accelerate the development of the insect resistance technology and now plans to explore combinations of existing proprietary Proteinase Inhibitors, newly identified proteins and Bts (insecticidal bacterial toxins currently used in commercial GM insect resistance) to further develop the innovative approach to the control of insect pests. On 10 August 2009, the Group announced a non-exclusive research licence with DuPont/Pioneer for the evaluation of the MGEV technology in corn and soy using Pioneer genes. This licence enables DuPont/Pioneer to use the MGEV technology outside of the current fungal disease collaboration, thus extending the partnership into new areas of co-operation. It is an important validation of the Group's science and technology and provides insight into the potential utility of the MGEV for different proteins and in an additional major GM crop, soy.

Significant Changes in the State of Affairs

In the opinion of Directors the following significant changes in the state of affairs of the Group occurred during and since the end of the financial year under review:

On 7 August 2008, the Company announced a development and commercialisation agreement with DuPont business, Pioneer Hi-Bred International, Inc., for the development of transgenic anti- fungal protein disease technology in corn, soy and other crops. This nature and progress of this collaboration is described above (under 'Outlook').

In July 2009, Professor Marilyn Anderson was appointed to the position of Chief Science Officer. Professor Anderson is one of the Group's founders and is leading the development of the Group's anti-fungal protein technology within the DuPont/ Pioneer partnership. She has played a critical part in developing the Group's IP portfolio and is a named inventor on all of the Group's key patents. The former Chief Science Officer, Professor Adrienne Clarke, continues her contribution to the Group in a non-executive capacity as Deputy Chairman.

Dividends

The Company has not paid or declared any dividends during or since the end of the financial year ended 30 June 2009.

Likely Developments

Further disclosure of information regarding likely developments in the operations of the Company and the expected results of those operations in future financial years has not been included in this report because, in the opinion of the Directors, disclosure of the information may prejudice the interests of the Company.

Principles of Remuneration – Audited

Key management personnel (including Directors of the Company and other executives) have authority and responsibility for planning and controlling the activities of the Company and the Group. For the financial year ended 30 June 2009, key management personnel comprises all Directors, executives and the Company Secretary, being Mr Dan O'Brien, Mr Joshua Hofheimer, Professor Adrienne Clarke, Mr Steven Skala, Professor Jonathan West, Mr Hugh Morgan, Professor Marilyn Anderson, Dr Robyn Heath and Ms Justine Heath. Remuneration levels for key management personnel are set to attract and retain appropriately qualified and experienced directors and executives. The Remuneration Committee obtains independent advice on remuneration packages and reviews remuneration at least on an annual basis.

Remuneration structures take into account the capability and experience of key management personnel. Remuneration includes a mix of fixed and variable remuneration as well as short and long term incentives.

Fixed Remuneration

Fixed remuneration consists of base remuneration, which is calculated on a total cost basis and includes any FBT charges related to employee benefits, as well as employer contributions to superannuation funds.

Performance Linked Remuneration

Performance linked remuneration may include short and long term incentives.

Short term incentive bonuses are based on the satisfaction of specified performance criteria, which may include financial or non-financial objectives. The Remuneration Committee approves the offer and payment of short term incentive bonuses to key management personnel and to other employees.

Long term incentives may be provided as options over the Company's ordinary shares and other securities. Options were issued to Mr Joshua Hofheimer and Ms Justine Heath during the financial year. Details are provided on page 41 of the Directors' Report.

Consequences of Performance on Shareholder Wealth

Hexima is a development stage company and the remuneration of key management personnel is not determined by the level of revenue, profit or dividends. Instead, consideration is given to the progress of scientific programs, the commercialisation of those programs, the development of the Company's intellectual property and asset base and long-term share price performance.

Service Contracts

The Group and the Company has entered into service contracts with key management personnel, which outline the components of compensation paid to key management personnel, but do not prescribe how compensation levels are modified from year to year. Compensation levels are reviewed each year to take into account cost-of-living changes, any change in scope of the role performed by the senior executive and any changes required to meet the principles of the compensation policy.

All employment contracts may be terminated immediately for cause or for material underperformance, except in the case of Mr Hofheimer, whose contract requires that the Company give him 10 days' notice of termination for cause or material underperformance.

GF Dan O'Brien

Mr O'Brien was appointed Chairman of the Board of Directors from 1 July 2008. Hexima contracts Dromoland Capital Pty Limited to provide Mr O'Brien's services. Mr O'Brien is the controlling shareholder, the director and a full time employee of Dromoland Capital Pty Limited.

Joshua T Hofheimer

Mr Hofheimer was employed by the Company from May 2008 and he was formally appointed as Chief Executive Officer/Managing Director from 1 July 2008. Mr Hofheimer has an employment contract with the Company, which has an unlimited term, but may be terminated by Mr Hofheimer giving the Company six months' notice or by the Company giving Mr Hofheimer 60 days' notice. The Company retains the right to terminate the contract immediately, by making payment equal to 60 days' pay in lieu of notice.

Mr Hofheimer's remuneration package includes a long-term incentive of 1,000,000 Initial Share Options (exercisable at $nil), with a two year vesting period, and 2,000,000 Share Options (exercisable at $1.25) with 25% of these options having a 2, 3, 4 and 5 year vesting period. If Hexima terminates Mr Hofheimer's employment other than for cause within the first 2 years of employment, the 1,000,000 Initial Share Options and the first 25% of the unvested Share Options will vest immediately.

If Hexima terminates Mr Hofheimer's employment after the first two years of employment, he will be entitled to exercise all the Share Options that have already vested, plus the next 25% portion of the unvested Share Options. If Hexima terminates his employment for cause at any time, Mr Hofheimer will have no entitlement or right to any of the unvested Initial Share Options or unvested Share Options.

Professor Adrienne E Clarke

Professor Clarke served as Deputy Chairman and Chief Science Officer during the financial year and had an employment contract with the Company. Professor Clarke retired from executive duties from 1 July 2009 and continues to serve as Deputy Chairman and Non-Executive Director.

Professor Marilyn A Anderson

Professor Anderson was appointed Chief Science Officer from 1 July 2009. She was formerly Senior Vice President Research and Discovery. Professor Anderson is an employee of La Trobe University and Hexima contracts her services through a Research Agreement with the university. In addition to her employment by the university, Professor Anderson also has an employment contract with the Company. This employment contract has a term of three years from 1 December 2007 and may be terminated with six months' notice by the employee.

Dr Robyn L Heath

Dr Heath, Senior Vice President Product Development, is an employee of The University of Melbourne, and Hexima contracts her services through a Research Agreement with the university. In addition to her employment by the university, Dr Heath also has an employment contract with the Company. This employment contract has a term of three years from 1 December 2007 and may be terminated with six months' notice by the employee.

Justine C Heath

Ms Heath, Company Secretary and Chief Financial Officer, has an employment contract with the Company for an unlimited term, which may be terminated with two months' notice by either party. The Company retains the right to terminate the contract immediately, by making payment equal to two months' pay in lieu of notice. The Company is required to provide six months' salary in lieu of notice in the event of a change of control of the Company.

Non-Executive Directors

The Constitution provides that Non-Executive Directors may be paid or provided fees or other remuneration for their services as a Director of Hexima (including as a member of any Directors' committee). The total amount or value of this remuneration must not exceed $500,000 (including mandatory superannuation) per annum or such other maximum amount determined by the Company in a general meeting.

A Non-Executive Director may be paid remuneration for services outside the scope of ordinary duties of the Director. Non-Executive Directors may also be paid expenses properly incurred in attending meetings or otherwise in connection with the Company's business.

Fees payable to Non-Executive Directors for the financial year ended 30 June 2009 were set at $55,000 per annum for Non-Executive Directors and $110,000 per annum for the Chairman. Additional 'per diem' fees are paid where services rendered are above normal requirements. There has been no change to fees paid to non-executive Directors since the Company listed in 2007.

Details of the nature and amount of each major element of the remuneration of each Director of the Company and each of the named officers of the Company, which is consistent with that of the consolidated entity, (including key management personnel) receiving the highest remuneration are included in the table following.

Directors' and Executive Officers' Remuneration (Company and Consolidated) – Audited

Details of the nature and amount of each major element of remuneration of each Director of the Company and each key management personnel are:

		Short term employee benefits		Total	Share based payments		Post		Proportion of	Value of
		Fixed Remuneration (Salary & Fees)	Short Term Incentive (cash)	Short-term employee benefits	Share Options Issued(10)	Converting Notes Issued	Employment Benefits – Superannuation	Total Remuneration	remuneration performance related	Options as proportion of Remuneration
Non-executive Directors										
GF Dan O'Brien (1) (Chairman)	2009	155,962	-	155,962	-	-	14,038	170,000	-	-
	2008	600,000	-	600,000	-	-	-	600,000	-	-
Steven M Skala (2)	2009	-	-	-	-	-	55,000	55,000	-	-
	2008	100,918	-	100,918	-	-	9,082	110,000	-	-
Jonathan West (9)	2009	50,458	-	50,458	-	-	4,542	55,000	-	-
	2008	106,458	-	106,458	-	-	4,542	111,000	-	-
Hugh M Morgan	2009	50,458	-	50,458	-	-	4,542	55,000	-	-
	2008	50,458	-	50,458	-	-	4,542	55,000	-	-
Adrienne E Clarke (3) (Former Chief Science Officer)	2009	205,864	-	205,864	-	-	60,327	266,191	-	-
	2008	308,798	-	308,798	-	-	27,792	336,590	-	-
Executive Directors										
Joshua T Hofheimer (4) (7) (CEO)	2009	585,576	-	585,576	212,606	-	14,424	812,606	-	26%
	2008	69,711	-	69,711	-	-	1,717	71,428	-	-
Executives										
Marilyn A Anderson (5) (Chief Science Officer)	2009	126,162	-	126,162	-	-	11,354	137,516	-	-
	2008	72,203	-	72,203	-	-	6,498	78,701	-	-
Robyn L Heath (6) (Senior Vice President Product Development)	2009	38,724	-	38,724	-	-	37,000	75,724	-	-
	2008	16,991	-	16,991	-	-	24,666	41,657	-	-
Justine C Heath (7) (CFO, Co. Secretary)	2009	185,000	-	185,000	7,680	-	16,648	209,328	-	4%
	2008	136,778	-	136,778	-	-	12,309	149,087	-	-
Adam L Hall (8) (Former Chief Operating Officer)	2009	-	-	-	-	-	-	-	-	-
	2008	224,462	-	224,462	-	-	39,062	263,524	-	-
Total	2009	1,398,204	-	1,398,204	220,286	-	217,875	1,836,365	-	-
Total	2008	1,686,777	-	1,686,777	-	-	130,210	1,816,987	-	-

Notes in relation to the table of directors' and executive officers' remuneration – audited

1. Mr O'Brien was appointed Chairman on 1 July 2008. He was previously the Chief Executive Officer/Managing Director. Mr O'Brien was paid the agreed Chairman's fee of $110,000 for the year ended 30 June 2009, plus an additional $60,000 reflecting the extra services performed in the handover of responsibilities to the incoming Chief Executive Officer/Managing Director.

2. Mr Skala was the Chairman of the Company until 30 June 2008 and continued as a Non-Executive Director from 1 July 2008.

3. Professor Clarke was Chief Science Officer and an Executive Director of the Company until 30 June 2009. From 1 July 2009 Professor Clarke serves as a Non-Executive Director. She continues in her role as Deputy Chairman.

4. Mr Hofheimer received allowances for rent and health benefits during the year ended 30 June 2009. Rental expenses totaled $58,157 and health benefits amounted to $46,341 for the period.

5. Professor Anderson is employed by La Trobe University. The Company engages her services through a Research Agreement with the university and through a separate direct employment agreement. Professor Anderson's total remuneration from the Company and La Trobe University (in relation to services performed for Hexima) was $267,516, comprising $137,516 paid directly by the Company and $130,000 paid by La Trobe University (for the services performed for Hexima). The amount shown in the table above represents payments made directly to Professor Anderson by the Company and the consolidated entity only.

6. Dr Heath is employed by The University of Melbourne. The Company engages her services through a Research Agreement with the university and through a separate direct employment agreement. Dr Heath's total remuneration from the Company and The University of Melbourne was $195,031, comprising $75,724 paid directly by the Company and $119,307 paid by The University of Melbourne. The amount shown in the table above represents payments made directly to Dr Heath by the Company and the consolidated entity only.

7. Share options were issued to Mr Hofheimer and Ms Justine Heath during the year ended 30 June 2009.

8. Mr Hall resigned on 30 November 2007.

9. Jonathan West is paid $55,000 p.a as a non-executive Director. In respect of the year ended 30 June 2008, Professor West was paid an additional $56,000 for additional business development consulting work performed on behalf of the consolidated entity.

10. The fair value of options is calculated at grant date using the Binomial Approximation Option Pricing model and allocated to each period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognized in this reporting period

Equity instruments – audited

All options refer to options over ordinary shares of Hexima Limited, which are exercisable on a one-for-one basis under the employee share option plan.

Options and rights over equity instruments granted as compensation – audited

Details on options over ordinary shares in the Company that were granted as compensation to each key management personnel during the reporting period and details on options that vested during the reporting period are as follows:

	Number of options granted during 2009	Grant date	Fair value per option at grant date ($)	Exercise price per option ($)	Expiry date	Number of options vested during 2009
Directors						
Joshua Hofheimer	1,000,000	19 December 2008	0.39	-	24 November 2018	-
Joshua Hofheimer	500,000	19 December 2008	0.17	1.25	24 November 2018	-
Joshua Hofheimer	500,000	19 December 2008	0.19	1.25	24 November 2018	-
Joshua Hofheimer	500,000	19 December 2008	0.20	1.25	24 November 2018	-
Joshua Hofheimer	500,000	19 December 2008	0.21	1.25	24 November 2018	-
Executives						
Justine Heath	20,000	19 December 2008	0.38	-	24 November 2018	20,000

No options have been granted since the end of the financial year. The options were provided at no cost to the recipients.

In respect of the 1,000,000 options granted to Joshua Hofheimer, these options vest in June 2010. If employment is terminated (other than for cause) or resignation (other than for cause) before the first exercise date of 1 July 2010 will result in options vesting immediately. The options must be exercised within 12 months of termination of employment.

In respect of the 2,000,000 options (in 4 tranches of 500,000), the 4 tranches of 500,000 options vesting at 1 July 2010, 1 July 2011, 1 July 2012, 1 July 2013.

In the event of termination of employment (other than for cause) or resignation at the request by Hexima for resignation (other than for cause) before the First exercise Date of Tranche 1 will result in 500,000 Options (Tranche 1) vesting immediately. These options must be exercised within 12 months of termination of employment. For the avoidance of doubt, the remaining unvested Options will lapse at the time of the termination.

In the event of termination of employment (other than for cause) or resignation at the request by Hexima for resignation (other than for cause) after the First exercise Date of Tranche 1 will result in the next Tranche of unvested Options vesting immediately. All vested Options must be exercised within 12 months of termination of employment. For the avoidance of doubt, the remaining Options which have not been accelerated and have not vested at the time of the termination will lapse.

The options granted to Justine Heath have vested at the grant date and relate to past services.

Exercise of options granted as compensation – audited

No options were exercised during 2009 financial year.

Analysis of options over equity instruments granted as compensation – audited

	Options granted		% vested in year	% forfeited in year (A)	Financial years in which grant vests
	Number	Date			
Directors					
Joshua Hofheimer	1,000,000	19 December 2008	-	-	2010
Joshua Hofheimer	500,000	19 December 2008	-	-	2011
Joshua Hofheimer	500,000	19 December 2008	-	-	2012
Joshua Hofheimer	500,000	19 December 2008	-	-	2013
Joshua Hofheimer	500,000	19 December 2008	-	-	2014
Executives					
Justine Heath	20,000	19 December 2008	100%	-	2009

Analysis of movement in options – audited

The movement during the reporting period, by value, of options over the ordinary shares in the Company held by each key management person and each of executives and relevant group executives is detailed below.

Value of options	Granted in year $ (a)	Exercised in year $ (b)	Lapsed in year ($) (c)
Joshua Hofheimer	212,606	-	-
Justine Heath	7,680	-	-

(a) The value of options granted in the year is the fair value of the options calculated at grant date using the Binomial Approximation Option Pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period.

(b) The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

(c) The value of options that lapsed during the year represents the benefit forgone and is calculated at the date the option lapsed using the Binomial Approximation Option Pricing model assuming the performance criteria has been achieved. No options lapsed in the year.

Directors' Interests

Set out below are details of the interests of the Directors at the date of this report in the shares of the Company, rights or options over such instruments. Interests include those held directly and indirectly.

Director	Total shares 30 June 2009	Options over shares 30 June 2009
Steven M Skala	4,012,730	1,057,768
Adrienne E Clarke	5,417,919	1,096,971
GF Dan O'Brien	4,844,768	1,231,456
Jonathan West	1,611,702	300,000
Hugh M Morgan	6,454,503	303,031
Joshua Hofheimer	50,000	3,000,000
Total	22,391,622	6,989,226

Share Options

During or since the end of financial year, the Company granted options for no consideration over unissued ordinary shares in the Company to the following directors and key management personnel of the Company as part of their remuneration:

	Number of Options Granted	Exercise Price	Expiry Date	Vesting Requirements
Joshua Hofheimer	2,000,000	$1.25	24 November 2018	4 tranches of 500,000 options vesting at 1 July 2010, 1 July 2011, 1 July 2012, 1 July 2013
Joshua Hofheimer	1,000,000	$0.00	24 November 2018	Vesting at 1 July 2010
Justine Heath	20,000	$0.00	24 November 2018	Past services, immediate vesting

All options were granted during the financial year. No options have been granted since the end of the financial year.

Unissued shares under option

At the date of this report, unissued ordinary shares of the Company under option are:

Expiry Date	Exercise Price	Number of Shares
31 December 2009	$0.50	4,969,702
31 December 2009	$0.31	928,425
31 December 2009	$0.16	154,737
31 May 2010	$0.00	75,000
30 June 2010	$2.00	800,000
30 June 2012	$2.00	1,600,000
16 May 2013	$0.00	112,000
24 November 2018	$0.00	1,020,000
24 November 2018	$1.25	2,000,000
		11,659,864

No options have been exercised by Directors or key management personnel, and no options have lapsed, either during or after the end of the financial year ended 30 June 2009. Options over 3,120,000 shares were issued to staff (including key management personnel) during the financial year ended 30 June 2009. Details of vesting requirements for options issued to key management personnel are set out on page 40 of the Directors Report. A further 100,000 options were issued to non-key management personnel during the financial year.

Auditors

Non-Audit Services

During the year KPMG, the Company's auditor, has performed certain services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided by the auditor do not undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amount paid or payable to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out below.

Audit Services ($)	2009	2008
Audit of the annual financial report	48,600	47,000
Review of half year financial report	23,000	21,000
Services other than statutory audit		
Special grant audit	6,000	3,000
Tax compliance services	1,200	11,100
Accounting Assistance	-	7,000
Migration services	3,226	5,765
	82,026	94,865

Indemnification and Insurance of Officers and Auditors

No indemnities were given or insurance premiums paid during the financial year for any person who was an auditor of the Company. The Company has not indemnified any Directors. During the financial year ended 30 June 2009, the Company paid insurance premiums of $75,680 (including taxes) in respect of Directors' and Officers' liability and legal expenses insurance contracts, for current and former Directors and Officers of the Company. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a willful breach of duty or improper use of information or position to gain personal advantage.

Lead Auditors' Independence Declaration Under Section 370C of the Corporations Act 2001

The Lead Auditor's Independence Declaration is set out on page 52 and forms part of the Directors' Report for the ended 30 June 2009.

This report is made pursuant to a resolution of the Directors.

Mr GF Dan O'Brien
Director

Mr Joshua T Hofheimer
Director

Dated this 18th day of August 2009

INCOME STATEMENTS

for the year ended 30 June 2009

		Consolidated	Parent Entity	
	Notes	($) 2009	($) 2009	($) 2008
Revenue	6	1,045,544	1,045,544	1,155,504
Contracted research expenditure		(3,408,634)	(3,408,634)	(2,156,583)
Other research & development expenditure	7	(6,314,857)	(6,314,857)	(87,873)
Patent and legal expenses		(555,079)	(555,079)	(634,226)
Field trial expenses		(170,610)	(170,610)	(161,810)
Marketing & business development expenses		(477,551)	(477,551)	(389,539)
Employee benefits expense		(2,978,357)	(2,978,357)	(2,703,846)
Depreciation expense		(81,482)	(81,482)	(29,443)
Other expenses	8	(417,264)	(417,264)	(433,222)
		(14,403,834)	(14,403,834)	(6,596,542)
Results from operating activities		(13,358,290)	(13,358,290)	(5,441,038)
Financial income	9	2,082,267	2,082,267	2,411,129
Net financing income/(expenses)		2,082,267	2,082,267	2,411,129
Loss before income tax		(11,276,023)	(11,276,023)	(3,029,909)
Income tax expense	10(a)	-	-	-
Loss for the period		(11,276,023)	(11,276,023)	(3,029,909)
Earnings per share				
Basic earnings/(loss) per share	24	(0.144)	(0.144)	(0.045)
Diluted earnings/(loss) per share	24	(0.144)	(0.144)	(0.045)

The accompanying notes form part of these financial statements

BALANCE SHEETS

as at 30 June 2009

	Notes	Consolidated ($) 2009	Parent Entity ($) 2009	Parent Entity ($) 2008
Current Assets				
Cash and cash equivalents	11	30,200,685	30,200,685	35,614,053
Receivables	12	333,865	333,865	789,465
Total Current Assets		30,534,550	30,534,550	36,403,518
Non-Current Assets				
Receivables	12	-	332,540	-
Investments	13	-	22	2
Plant and equipment	14	858,814	526,252	261,470
Prepaid expenses		25,000	25,000	-
Total Non-Current Assets		883,814	883,814	261,472
Total Assets		31,418,364	31,418,364	36,664,990
Current Liabilities				
Trade and other payables	15	1,897,439	1,897,439	1,702,207
Deferred income	16	600,000	600,000	600,000
Employee benefits	17	83,430	83,430	14,085
Total Current Liabilities		2,580,869	2,580,869	2,316,292
Non-Current Liabilities				
Deferred Income	16	-	-	600,000
Total Non-Current Liabilities		-	-	600,000
Total Liabilities		2,580,869	2,580,869	2,916,292
Net Assets		28,837,495	28,837,495	33,748,698
Equity				
Share capital	18	57,198,035	57,198,035	51,198,035
Reserves	18	618,975	618,975	254,155
Accumulated losses		(28,979,515)	(28,979,515)	(17,703,492)
Total Equity		28,837,495	28,837,495	33,748,698

The accompanying notes form part of these financial statements

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2009

Consolidated

	Note	Ordinary Shares	Equity option reserve	Equity compensation reserve	Accumulated Losses	Total equity
2009		$	$	$	$	$
Opening balance at 1 July 2008		51,198,035	200,000	54,155	(17,703,492)	33,748,698
Net (loss) for the period		-	-	-	(11,276,023)	(11,276,023)
Total recognised income and expense for the period		-	-	-	(11,276,023)	(11,276,023)
Issue of ordinary shares	18	6,000,000	-	-	-	6,000,000
Issue of share options	18	-	-	364,820	-	364,820
Closing balance at 30 June 2009		57,198,035	200,000	418,975	(28,979,515)	28,837,495

The Company

	Note	Ordinary Shares	Equity option reserve	Equity compensation reserve	Accumulated Losses	Total equity
2009		$	$	$	$	$
Opening balance at 1 July 2008		51,198,035	200,000	54,155	(17,703,492)	33,748,698
Net (loss) for the period		-	-	-	(11,276,023)	(11,276,023)
Total recognised income and expense for the period		-	-	-	(11,276,023)	(11,276,023)
Issue of ordinary shares	18	6,000,000	-	-	-	6,000,000
Issue of share options	18	-	-	364,820	-	364,820
Closing balance at 30 June 2009		57,198,035	200,000	418,975	(28,979,515)	28,837,495
2008						
Opening balance at 1 July 2007		2,361,456	200,000	12,000	(14,673,583)	(12,100,127)
Net (loss) for the period		-	-	-	(3,029,909)	(3,029,909)
Total recognised income and expense for the period		-	-	-	(3,029,909)	(3,029,909)
Issue of ordinary shares, 27 August 2007						
– on conversion of converting notes	18	11,311,597	-	-	-	11,311,597
– for cash on Initial Public Offering		40,000,000	-	-	-	40,000,000
Issue of ordinary shares on exercise of options	18	151,516	-	-	-	151,516
Issue of share options	18	-	-	42,155	-	42,155
Less: Transaction costs, net of tax		(1,838,574)	-	-	-	(1,838,574)
Deferred tax asset in respect of transaction costs for raising share capital not recognised		(787,960)	-	-	-	(787,960)
Closing balance at 30 June 2008		51,198,035	200,000	54,155	(17,703,492)	33,748,698

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2009

	Notes	Consolidated ($) 2009	Parent Entity ($) 2009	Parent Entity ($) 2008
Cash Flows From Operating Activities				
Cash receipts from government grants & collaboration agreements		487,927	487,927	675,267
Cash paid to suppliers and employees		(7,651,784)	(7,651,784)	(6,746,899)
Net cash (used in) operating activities	20b	(7,163,857)	(7,163,857)	(6,071,632)
Cash Flows From Investing Activities				
Loan to subsidiary		-	(332,540)	-
Interest received		2,534,228	2,534,228	1,667,118
Payments for plant and equipment		(783,739)	(451,179)	(172,359)
Investment in subsidiary		-	(20)	
Net cash from investing activities		1,750,489	1,750,489	1,494,759
Cash Flows From Financing Activities				
Proceeds from issue of share capital	18	-	-	40,000,000
Transaction costs relating to issue of shares	18	-	-	(2,626,534)
Proceeds from exercise of share options	18	-	-	151,516
Payment of loan		-	-	(167,416)
Net cash from financing activities		-	-	37,357,566
Net (decrease)/ increase in cash and cash equivalents		(5,413,368)	(5,413,368)	32,780,693
Cash and cash equivalents at 1 July		35,614,053	35,614,053	2,833,360
Cash and cash equivalents at 30 June	20a	30,200,685	30,200,685	35,614,053

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

1. Reporting Entity

Hexima Limited (the 'Company') is a Company domiciled in Australia. The address of the Company's registered office is Level 5, 114 William Street, Melbourne, Victoria, 3000. The consolidated financial statements of the Company as at and for the year ended 30 June 2009 comprises the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group' entities). The Group is actively engaged in the research and development of technology for the protection and enhancement of commercial crops, primarily to enhance their resistance to insects and fungal pathogens.

2. Basis of Preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group and the financial report of the Company comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on18th August 2009.

(b) Basis of measurement

The financial report has been prepared on the basis of historical cost, except for derivative financial instruments and liabilities for cash-settled share based payment arrangements which are measured at fair value.

(c) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the Company's and Group's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following note:

Note 19 – measurement of share-based payments.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods by Group entities.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

(a) Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

In the Company's financial statements, investments in subsidiaries are carried at cost.

(b) Financial Instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call term deposits. Term deposits are classified as cash as the Group can convert the deposits as available cash in reasonable time with minimal break costs to the Group.

Accounting for finance income and expense is discussed in note 3(h).

(ii) Converting notes

Non-redeemable converting notes which convert to share capital and where the number of shares issued vary with changes in their fair value are accounted for as hybrid financial instruments, split between host contract debt and derivative debt. The derivative debt component embedded in hybrid convertible notes is calculated at its fair value at the time of recognition of the convertible notes and then fair valued on an on-going basis with changes recognised in the profit and loss account. Converting notes are recognised in the balance sheet upon issue. For partly paid converting notes, a receivable is recognised to the extent of the unpaid amount.

(iii) Other non-derivative financial instruments

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(iv) Derivative financial instruments

Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

(v) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit. Other incremental costs not attributable to issue of ordinary shares are expensed as incurred.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

(c) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment. Cost includes expenditures that are directly attributable to the acquisition of the asset.

(ii) Subsequent costs

The Company recognises in the carrying amount of an item of plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(iii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. The depreciation/amortisation rates used for each class of asset are as follows:

	2009	2008
Plant and equipment	15% - 37.5%	15% - 37.5%
Office equipment	33% - 66.7%	33%

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(d) Foreign Currency

Transactions in foreign currencies are translated to the functional currency of Group entities at exchange rates at the dates of the transactions.

(e) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on a individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

In respect of assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The recoverable amount of an asset is the greater of its fair value and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the 'cash generating unit').

(f) Revenue

Grant revenue

Government grant income that compensates the Group for expenses incurred is recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred.

Research grants and collaboration fees

Research grants and collaboration fees represents revenue received from entities who fund and/or participate in the collaborative research initiatives of the Group. When services in respect of collaborative research activities are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight line basis over the period of the collaborative research agreement. Unrecognised revenue, representing payments received during the year for services to be provided in the future, is recognised as deferred income.

(g) Research expenditure

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognised in the income statement as an expense as incurred. Patent costs relating to research activities are expensed as incurred. Plant and equipment acquired to perform research activities are capitalised where the plant and equipment are not specific in nature to the Group's research activities and can be sold or leased to third parties. Plant and equipment specific to the research activities of the Group are expensed on acquisition.

(h) Finance income and expenses

Finance income comprises interest income on term deposits. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

(i) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences where the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(j) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet. Cash flows are included in the statements of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(k) Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products and services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group primarily operates in one sector, being the agricultural biotechnology industry, developing and/or commercialising agricultural biotechnology research.
The majority of operations are in Australia.

(l) Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit under which the an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Short term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Long term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The maturity discount rate is the yield at the reporting date on AA credit-rated Commonwealth Government bonds that have dates approximating the terms of the Group's obligations.

(m) Share based payment transactions

Equity Settled

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity over the period that the employee becomes unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except for those that fail to vest due to market conditions not being met.

(n) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options issued.

(o) Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Share-based payment transactions

The fair value of employee share options at grant date is measured using the Binomial Approximation Option Pricing method. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Research Expenses

The fair value of research expenses (Note 7,18) has been measured at the Directors' estimate of the fair value of intellectual property rights acquired from an independent party dealing at arm's length.

(p) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied in preparing this financial report:

- *Revised AASB 101 Presentation of Financial Statements (2007)* introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or, in an income statement and a separate statement of comprehensive income. Revised AASB 101, which becomes mandatory for the Group's 30 June 2010 financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements. The Group plans to provide total comprehensive income in a single statement of comprehensive income for its 2010 consolidated financial statements.
- *AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations* clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to AASB 2 will be mandatory for the Group's 30 June 2010 financial statements, with retrospective application. The Group has not yet determined the potential effect of the amendment.

4. Financial Risk Management

Overview

The Company has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the oversight of risks. The Company and the Group maintains a control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivable from the Government in respect of research grants accrued interest receivable from the banks.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group prepares and monitors budgets to manage its liquidity for the short and long term.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The Board of Directors oversee market risk exposures to optimise returns.

Currency risk

The Group's currency risk is limited to trade and other payables that are denominated in a currency other than the functional currency of the Group entities, primarily US dollar (USD). Given the minimal value of foreign currency transactions the Group does not enter into contracts to hedge currency risk. At 30 June 2009, there were no receivables denominated in foreign currencies (2008: $NIL), however there were amounts payable of $11,636 (2008: $74,606).

Interest rate risk

The Group does not have any interest expenses. Interest income is earned on term deposits and cash at bank, which are based on prevailing market rates.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. As the Company is a development stage company, the Board of Directors monitors the Company's performance with particular regard to the progress of scientific programs, the commercialisation of those programs, the development of the Company's intellectual property and asset base and long-term share price performance. There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

5. Segment Reporting

The Group primarily operates in one sector, being the agricultural biotechnology industry developing and/or commercialising agricultural biotechnology research. The majority of operations are in Australia.

6. Revenue

	Consolidated	Parent Entity	
	($) 2009	($) 2009	($) 2008
Government grants	277,659	277,659	455,504
Research grants and collaboration fees	767,885	767,885	700,000
	1,045,544	1,045,544	1,155,504

7. Other Research and Development Expenditure

	Note			
Other research and development expenditure		314,857	314,857	87,873
Research intellectual property rights acquired in 2009 - expensed	18	6,000,000	6,000,000	-
		6,314,857	6,314,857	87,873

8. Other Expenses

Administration & compliance costs	224,738	224,738	251,143
Other expenses	192,526	192,526	182,079
	417,264	417,264	433,222

9. Finance Income and Expense

Interest income on term deposit and cash at bank	2,082,267	2,082,267	2,411,129
Finance income	2,082,267	2,082,267	2,411,129

10. Income Tax

(a) Numerical reconciliation between tax expense and pre-tax net profit

	Consolidated	Parent Entity	
	($) 2009	($) 2009	($) 2008
Loss before tax	(11,276,023)	(11,276,023)	(3,029,909)
Income tax using the domestic corporation tax rate of 30% (2008: 30%)	(3,382,807)	(3,382,807)	(908,972)
Increase/(decrease) in income tax expense due to:			
Other non-deductible expenses	-	-	-
R & D concessional increment	(296,528)	(296,528)	(163,971)
Non-deductible share based payment	109,446	109,446	12,647
Non-deductible research expenses arising from shares issued as consideration for intellectual property rights	1,800,000	1,800,000	-
Temporary differences not brought to account	49,692	49,692	(356,350)
Tax losses not brought to account	1,720,197	1,720,197	1,416,646
Income tax expense/(benefit) on pre-tax net profit	-	-	-

10. Income Tax (continued)

(b) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

Temporary differences	855,690	855,690	805,990
Tax losses	3,832,714	3,832,714	2,112,517
Total	4,688,404	4,688,404	2,918,507

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group and the Company could utilise the benefits therefrom. Comparative amounts have been restated to reflect assessed balances.

11. Cash and Cash Equivalents

Cash on hand	2,467	2,467	3,605
Cash at bank	631,218	631,218	672,980
Term Deposit	29,567,000	29,567,000	34,937,468
	30,200,685	30,200,685	35,614,053

12. Receivables

Current			
Trade receivables	2,875	2,875	42,383
Accrued Interest	292,050	292,050	744,011
Prepayments	38,940	38,940	3,071
	333,865	333,865	789,465
Non-Current			
Loan to Subsidiary	-	332,540	-
	-	332,540	-

The Company's exposure to credit and currency risks and impairment losses related to trade receivables is disclosed in note 22.

13. Investments

Shares in Pharmagra Pty Ltd (formerly Hexima BioTech Pty Ltd) - at cost	-	2	2
Shares in Hexima Holdings Pty Ltd - at cost	-	20	-
	-	22	2

Pharmagra Pty Ltd is incorporated in Australia and is a 100% owned subsidiary of the Company. Pharmagra Pty Ltd has total assets and net assets of $2.00 at 30 June 2009.

Hexima Holdings Pty Ltd is incorporated in Australia and is a 100% owned subsidiary of the Company. Hexima Holdings Pty Ltd has total assets of $332,540 at 30 June 2009, which comprises the glasshouse under construction at La Trobe University.

14. Plant and Equipment

Consolidated

	Plant and Equipment	Office Equipment	Total
Cost	$	$	$
Balance at 1 July 2008	266,423	74,173	340,596
Additions	675,807	3,018	678,825
Balance at 30 June 2009	942,230	77,191	1,019,421
Accumulated depreciation			
Balance at 1 July 2008	48,765	30,361	79,126
Depreciation for the year	59,608	21,873	81,481
Balance at 30 June 2009	108,373	52,234	160,607
Carrying amounts			
At 1 July 2008	217,658	43,812	261,470
At 30 June 2009	833,857	24,957	858,814

14. Plant and Equipment (continued)

The Company

Cost			
Balance at 1 July 2008	266,423	74,173	340,596
Additions	343,245	3,018	346,263
Balance at 30 June 2009	609,668	77,191	686,859
Balance at 1 July 2007	106,354	25,739	132,093
Additions	160,069	48,434	208,503
Balance at 30 June 2008	266,423	74,173	340,596
Accumulated depreciation			
Balance at 1 July 2008	48,765	30,361	79,126
Depreciation for the year	59,608	21,873	81,481
Balance at 30 June 2009	108,373	52,234	160,607
Balance at 1 July 2007	30,318	19,365	49,683
Depreciation for the year	18,447	10,996	29,443
Balance at 30 June 2008	48,765	30,361	79,126
Carrying amounts			
At 1 July 2007	76,036	6,374	82,410
At 30 June 2008	217,658	43,812	261,470
At 1 July 2008	217,658	43,812	261,470
At 30 June 2009	501,295	24,957	526,252

15. Trade and Other Payables

	Consolidated	Parent Entity	
	($) 2009	($) 2009	($) 2008
Current			
Trade payables	1,441,794	1,441,794	1,060,135
Other payables & accrued expenses	455,645	455,645	642,072
	1,897,439	1,897,439	1,702,207

Included in trade payables is an amount of $NIL (2008: $28,263) in respect of key management personnel accrued remuneration.

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 22.

16. Deferred Income

Hexima has entered into a Research and Development Agreement with Balmoral Australia Pty Limited ('Balmoral'), whereby Balmoral has paid Hexima $1,800,000 to conduct research on its behalf for three years commencing 1 July 2007. The contract has a term of three years expiring on 30 June 2010. In accordance with the Group's accounting policy in respect of collaborative research agreements, the $1,800,000 is being recognised as income over the three year collaborative research period. Accordingly, $600,000 has been recognised as income in the year ended 30 June 2009 and deferred income of $600,000 as at 30 June 2009 represents the total income to be earned in the coming year.

17. Employee Benefits

	Consolidated	Parent Entity	
	($) 2009	($) 2009	($) 2008
Current			
Superannuation	37,963	37,963	-
Liability for annual leave	45,467	45,467	14,085
	83,430	83,430	14,085

18. Capital and Reserves

Reconciliation of movement in capital and reserves

Consolidated and the Parent Entity

	Number of shares		Amount	
Ordinary Shares	2009	2008	2009 ($)	2008 ($)
On issue at 1 July	74,576,307	33,224,006	51,198,035	2,361,456
Issued at $1.50 per share as consideration for intellectual property acquired for research purposes	4,000,000	-	6,000,000[1]	-
Issued for cash	-	32,000,000	-	40,000,000[2]
Transaction costs, net of tax	-	-	-	(1,838,574)[3]
Deferred tax assets relating to transaction costs not recognised	-	-	-	(787,960)[3]
Conversion of converting notes	-	9,049,270	-	11,311,597[4]
Exercise of share options	-	303,031	-	151,516
On issue at 30 June – fully paid	78,576,307	74,576,307	57,198,035	51,198,035

1. The $6.0 million increase in share capital for 2008/09 was a result of the co-development and commercialisation agreement the Company entered into on 7 August 2008 with DuPont agricultural business, Pioneer Hi-Bred International, Inc. (DuPont/Pioneer), for the commercialisation of fungal resistance technology. As part of this agreement, Hexima acquired intellectual property rights valued at $6.0 million. As consideration, and pursuant to a placement agreement, Hexima issued 4,000,000 ordinary shares at $1.50 per share. The financial effects of this transaction have been recorded as a research and development expenditure of $6.0 million with a corresponding increase in share capital.

2. The Company listed on the Australian stock exchange on 27 August 2007 and this represents the gross proceeds from the issue of shares on initial public offering at $1.25 per share.

3. Transaction costs and the tax effect of this cost arising from the initial public offering by the Company in August 2007.

4. Converting notes liability of $11,311,597 were converted to ordinary shares on initial public offering in August 2007 under the terms of the converting notes. Accordingly the converting note liability was extinguished with a corresponding increase in share capital.

	Number of options		Amount	
	2009	2008	($) 2009	($) 2008
Equity option reserve				
On issue at 1 July	2,400,000	2,400,000	200,000	200,000
On issue at 30 June – fully paid	2,400,000	2,400,000	200,000	200,000
Equity compensation reserve				
On issue at 1 July	6,164,864	6,355,895	54,155	12,000
Issued as compensation	3,120,000	112,000	364,820	42,155
Exercise of share options [1]	-	(303,031)	-	-
On issue at 30 June – fully paid	9,284,864	6,164,864	418,975	54,155
Total reserve at 30 June 2009	11,684,864	8,564,864	618,975	254,155

The Company does not have authorised capital or par value in respect of its issued shares. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

1. The options were exercised at $0.50 cash per share on 3 January 2008.

Equity Compensation Reserve

The equity compensation reserve represents the accumulated amount of share options vested to key management personnel and other personnel under compensation schemes.

Equity Option Reserve

The equity option reserve comprises the accumulated amount of share options issued to other parties.

19. Share-Based Payments

The terms and conditions of the grants are as follows. All options are to be settled by physical delivery of shares.

Grant date / parties entitled	Number of instruments	Vesting conditions	Contractual life of options
Option granted to founding investors on 2 May 2002	4,969,702	Past services, immediate vesting	7.67 years
Option granted to directors on 14 October 2003	928,425	Past services, immediate vesting	6.22 years
Option granted to directors on 14 October 2003	154,737	Past services, immediate vesting	6.22 years
Option granted to third parties for R&D Collaboration on 29 June 2007	800,000	Past services, immediate vesting	3 years
Option granted to third parties for R&D Collaboration on 29 June 2007	1,600,000	Past services, immediate vesting	5 years
Option granted to non-key management personnel on 16 May 2008	112,000	3 months service	5 years
Option granted to an employee on 12 September 2008	100,000	Vested on 29 May 2009 and expire on 31 May 2010.	0.9 years
Option grant to key management personnel on 24 November 2008	2,000,000	4 tranches of 500,000 options vesting at 1 July 2010, 1 July 2011, 1 July 2012, 1 July 2013. Termination of employment (other than for cause) or resignation at the request by Hexima for resignation (other than for cause) before the First exercise Date of Tranche 1 will result in 500,000 Options (Tranche 1) vesting immediately. These options must be exercised within 12 months of termination of employment. For the avoidance of doubt, the remaining unvested Options will lapse at the time of the termination. Termination of employment (other than for cause) or resignation at the request by Hexima for resignation (other than for cause) after the First exercise Date of Tranche 1 will result in the next Trance of unvested Options vesting immediately. All vested Options must be exercised within 12 months of termination of employment. For the avoidance of doubt, the remaining Options which have not been accelerated and have not vested at the time of the termination will lapse.	10 years
Option granted to key management on 24 November 2008	1,000,000	Vests on second anniversary (June 2010) of commencement of employment. Termination of employment (other than for cause) or resignation as a result of a request by Hexima for resignation (other than for cause) before the First Exercise Date of 1 July 2010 will result in the Options vesting immediately. The Options must be exercised within 12 months of termination of employment	10 years
Option granted to key management on 24 November 2008	20,000	Past Services, immediate vesting	10 years
Total share options	11,684,864		

The number and weighted average exercise prices of share options is as follows:

	Weighted average exercise price 2009	Number of options 2009	Weighted average exercise price 2008	Number of options 2008
Outstanding at 1 June	$0.89	8,564,864	$0.88	8,755,895
Exercised during the period	$nil	-	$0.50	(303,031)
Granted during the period	$0.80	3,120,000	$nil	112,000
Outstanding at 30 June	$0.86	11,684,864	$0.89	8,564,864

The options outstanding at 30 June 2009 have an exercise price in the range of $nil to $2 and a weighted average remaining contractual life of 3.24 years.

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a binomial approximation option pricing model, incorporating the probability of the relative total shareholder return vesting condition being met, with the following inputs:

Fair value of share options and assumptions	2009	2008
Key management personnel and employees		
Fair value at grant date (weighted average)	$0.3199	$0.8615
Share price (weighted average)	$0.3199	$0.8615
Exercise price (weighted average)	$0.8013	$nil
Expected volatility (weighted average volatility)	78.89%	74.78%
Option life (expected weighted average life)	9.76 years	5 years
Expected dividends	0.00%	0.00%
Risk-free interest rate (weighted average based on government bonds)	3.09%	6.34%

Employee expenses

	Consolidated	Parent Entity	
	($) 2009	($) 2009	($) 2008
Current			
Share options granted in 2008 – equity settled	54,333	54,333	42,155
Share options granted in 2009 – equity settled	310,487	310,487	-
Total expense recognised as employee costs	364,820	364,820	42,155

20. Notes to the Statement of Cashflow

20a. Reconciliation of Cash

Reconciliation of cash at the end of the period (as shown in the statement of cash flows) to the related items in the accounts is as follows:

		Consolidated	Parent Entity	
	Note	($) 2009	($) 2009	($) 2008
Cash on hand and at bank	11	30,200,685	30,200,685	35,614,053

20b. Reconciliation of Cash Flows From Operating Activities

Cash flows from operating activities			
Loss for the period	(11,276,023)	(11,276,023)	(3,029,909)
Adjustments for:			
Interest received – classified as investing activity	(2,534,228)	(2,534,228)	(1,667,118)
Depreciation	81,482	81,482	29,443
Equity settled share based payment expense	364,820	364,820	42,155
Equity issued to DuPont	6,000,000	6,000,000	-
Operating loss before changes to working capital	(7,363,949)	(7,363,949)	(4,625,429)
(Increase)/decrease in trade and other receivables and prepayments	430,600	430,600	(655,244)
Increase/(decrease) in payables and employee benefits	264,577	264,577	(154,815)
Plant and equipment acquired on credit included in trade payables	104,915	104,915	(36,144)
Increase/(decrease) in deferred income	(600,000)	(600,000)	(600,000)
Net cash from/(used in) operating activities	(7,163,857)	(7,163,857)	(6,071,632)

21. Auditors' Remuneration

	Consolidated	Parent Entity	
	($) 2009	($) 2009	($) 2008
Audit Services			
Auditors of the Company			
KPMG Australia			
Audit of the annual financial report	48,600	48,600	47,000
Review of half year financial statements	23,000	23,000	21,000
Other Services			
Auditors of the Company			
KPMG Australia			
Research grant audit	6,000	6,000	3,000
Tax compliance services	1,200	1,200	11,100
Migration services	3,226	3,226	5,765
Accounting assistance	-	-	7,000
	82,026	82,026	94,865

22. Financial Instruments

Credit Risk

The carrying amount of the Group's and the Company's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at 30 June was:

		Consolidated	Parent Entity	
	Note	($) 2009	($) 2009	($) 2008
Loan to subsidiary	12	-	332,540	-
Trade receivables – Government	12	-	-	42,383
Accrued interest on bank term deposits	12	292,050	292,050	744,011
Cash on hand and at bank	11	30,200,685	30,200,685	35,614,053
		30,492,735	30,825,275	36,400,447

Cash on hand and at bank are with the National Australia Bank and the Westpac Banking Corporation.

Impairment Losses

None of the Group's and the Company's receivables are past due (2008: nil) and no impairment losses have been recognised (2008: nil).

The Group and the Company are in the development phase of its research and development programme. The Group's and the Company's income is currently limited to interest on cash and term deposits, Australian government grants and collaborative research agreements where income is received in advance. Accordingly, risk of impairment losses is minimal.

Liquidity Risk

The Group and the Company has no financial liabilities except for trade and other payables with a carrying value of $1,897,439 (note 15), which are payable in cash and have a maturity of less than 6 months.

Term deposits included in cash at bank above have maturities as follows: $6,800,000 – maturity date 13/7/09, $4,190,000 – maturity date 11/11/09, $14,077,000 – maturity date 10/10/2009 and $4,500,000 – maturity date 12/08/09.

Currency risk

At 30 June 2009, there were no receivables denominated in foreign currencies, however there were amounts payable of $11,636 (2008: $74,606).

Sensitivity analysis

A 10% strengthening of the Australian dollar against the following currencies at 30 June would have increased equity and decreased the loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

	Loss reduction (USD$)
30 June 2009	1,058
30 June 2008	6,773

A 10% weakening of the Australian dollar would have increased the loss for the year and decreased equity by $1,293 in 2009 (2008: $8,278)

Interest Risk

Exposure to interest rate risks arises in the normal course of the Company's business in respect of interest income on term deposit (note 11) and cash at bank (note 11). The weighted average interest rate in respect of interest income in 2009 was 6.7% (2008:6.9%).

Fixed rate instruments

In respect of term deposits a 100 basis points increase in interest rates would have decreased the loss by $313,575 (2008: $349,375). A 100 basis points decrease in interest rates would have increased the loss by $313,575 (2008: $349,375).

Variable rate instruments

In respect of cash at bank a 100 basis points increase in interest rates would have decreased the loss by $8,163 (2008: $6,730). A 100 basis points decrease in interest rates would have increased the loss by $8,163 (2008: $6,730).

Estimation of fair values

The fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged, or liability settled in a current transaction between willing parties after allowing for transaction costs. The carrying value of financial assets and liabilities approximates the fair value at 30 June 2008 and 30 June 2009.

23. Contingencies

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measure.

Guarantee and Indemnification

The Company has an Institutional Biosafety Committee (IBC) to advise on certain aspects of the Group's and the Company's field trial applications. The Group and Company has agreed to indemnify, release and forever discharge the members of the IBC from and against any claim or liability, incurred by the members, arising in connection with the conduct of field trials and related applications being undertaken by the Group and the Company. The financial exposure from this arrangement is expected to be nil.

24. Earnings Per Share

Consolidated and the Company basic and diluted earnings per share

The calculation of basic and diluted earnings per share at 30 June 2009 was based on a loss attributable to ordinary shareholders of $11,276,023 (2008:$3,029,909) and a weighted average number of ordinary shares of 78,159,869, calculated as follows:

Loss attributable to ordinary shareholders

	($) 2009	($) 2008
Loss for the period after income tax	11,276,023	3,029,909
Weighted average number of shares used as a denominator		
Number for basic earnings per share		
Ordinary shares	78,159,869	67,916,404
Number for diluted earnings per share		
Ordinary shares	78,159,869	67,916,404

Instruments not included in diluted earnings per share due to anti-dilutionary effect

Number of shares	2009	2008
Converting notes	-	-
Share options	11,684,864	8,564,864
	11,684,864	8,564,864

25. Related Parties

Directors

The following were key management personnel of the Group and the Company at any time during the reporting period and unless otherwise indicated were Directors for the entire period:

Executive Directors
Mr Joshua T Hofheimer (CEO)

Non-Executive Directors
Mr GF Dan O'Brien (Chairman)
Mr Steven M Skala
Professor Jonathan West
Mr Hugh M Morgan
Professor Adrienne E Clarke (Executive Director until 30 June 2009, Non-Executive from 1 July 2009)

Executives
Professor Marilyn A Anderson
Dr Robyn L Heath
Ms Justine C Heath

The key management personnel compensation included in 'employee benefits expense' is as follows:

	Consolidated	Parent Entity	
	($) 2009	($) 2009	($) 2008
Short term employee benefits	1,398,208	1,398,208	1,686,777
Post employment benefits	217,871	217,871	130,209
Share based payments	220,286	220,286	-
	1,836,365	1,836,365	1,816,986

Individual directors and executive compensation disclosures

Information regarding individual directors and executives compensation disclosures as permitted by Corporations Regulation 2M.3.03. is provided in the Remuneration Report section of the Directors' Report.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Group and the Company since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end.

Options and rights over equity instruments

The movement during the reporting period in the number of options over ordinary shares in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2009	Held at 1 July 2008	Granted as compensation	Exercised	Held at 30 June 2009	Vested during the year	Vested and exercisable at 30 June 2009
Directors						
Steven M Skala	1,057,768	-	-	1,057,768	-	1,057,768
Jonathan West	300,000	-	-	300,000	-	300,000
Hugh M Morgan	303,031	-	-	303,031	-	303,031
Adrienne E Clarke	1,096,971	-	-	1,096,971	-	1,096,971
GF Dan O'Brien	1,231,456	-		1,231,456	-	1,231,456
Joshua Hofheimer	-	3,000,000	-	3,000,000	-	-
Executives						
Marilyn A Anderson	500,000	-	-	500,000	-	500,000
Robyn L Heath	500,000	-	-	500,000	-	500,000
Justine Heath	-	20,000	-	20,000	20,000	20,000
	4,989,226	3,020,000	-	8,009,226	20,000	5,009,226

2008	Held at 1 July 2007	Granted as compensation	Exercised	Held at 30 June 2008	Vested during the year	Vested and exercisable at 30 June 2008
Directors						
Steven M Skala	1,057,768	-	-	1,057,768	-	1,057,768
Jonathan West	300,000	-	-	300,000	-	300,000
Hugh M Morgan	303,031	-	-	303,031	-	303,031
Adrienne E Clarke	1,096,971	-	-	1,096,971	-	1,096,971
GF Dan O'Brien	1,231,456	-		1,231,456	-	1,231,456
Executives						
Marilyn A Anderson	500,000	-	-	500,000	-	500,000
Robyn L Heath	500,000	-	-	500,000	-	500,000
	4,989,226	-	-	4,989,226	-	4,989,226

Movement in shares

The movement during the reporting period in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2009	Held at 1 July 2008	Shares from converting notes	Shares issued under offer	Purchases	Received on exercise of options	Sales	Held at 30 June 2009
Directors							
Steven M Skala	4,012,730	-	-	-	-	-	4,012,730
Jonathan West	1,611,702	-	-	-	-	-	1,611,702
Hugh M Morgan	6,454,503	-	-	-	-	-	6,454,503
Adrienne E Clarke	5,417,919	-	-	-	-	-	5,417,919
GF Dan O'Brien	4,844,768	-	-	-	-	-	4,844,768
Joshua Hofheimer	-	-	-	50,000	-	-	50,000
Executives							
Marilyn A Anderson	2,381,935	-	-	-	-	-	2,381,935
Robyn L Heath	2,381,935	-	-	-	-	-	2,381,935
	27,105,492	-	-	50,000	-	-	27,155,492

2008	Held at 1 July 2007	Shares from converting notes	Shares issued under offer	Purchases	Received on exercise of options	Sales	Held at 30 June 2008
Directors							
Steven M Skala	2,892,730	960,000	160,000	-	-	-	4,012,730
Jonathan West	491,702	960,000	160,000	-	-	-	1,611,702
Hugh M Morgan	4,354,503	1,600,000	500,000	-	-	-	6,454,503
Adrienne E Clarke	4,525,026	732,893	160,000	-	-	-	5,417,919
GF Dan O'Brien	2,924,768	1,760,000	160,000	-	-	-	4,844,768
Executives							
Marilyn A Anderson	2,381,935	-	-	-	-	-	2,381,935
Robyn L Heath	2,381,935	-	-	-	-	-	2,381,935
	19,952,599	6,012,893	1,140,000	-	-	-	27,105,492

Changes in key management personnel in the period, after the reporting date and prior to the date when the financial report is authorised for issue

In July 2009, Professor Marilyn Anderson was appointed to the position of Chief Science Officer. Professor Anderson is one of the Company's founders and is leading the development of the Company's anti-fungal protein technology within the DuPont/Pioneer partnership. She has played a critical part in developing the Company's IP portfolio and is a named inventor on all of the Company's key patents. The former Chief Science Officer, Professor Adrienne Clarke, continues her contribution to the Company in a non-executive capacity as Deputy Chairman.

Key management personnel and directors' transactions

a) Dr Heath was an employee of The University of Melbourne during the financial year ended 30 June 2009. During the course of the financial year ended 30 June 2009, amounts (including GST) totaling $2,548,580 (2008: $1,397,738) were paid or payable by Hexima to The University of Melbourne for research work carried out on behalf of Hexima. These transactions were conducted on normal commercial terms. Trade accounts and/or accruals payable to The University of Melbourne at 30 June 2009 were $454,233 (2008: $771,451).

b) Mr O'Brien is the sole director of Dromoland Capital Pty Limited. An amount (including GST) of $171,889 (2008: $784,631) was paid or provided to be paid to this entity during the financial year ended 30 June 2009 for services provided to Hexima. These transactions were conducted on normal commercial terms. This amount includes $170,000 for the provision of Mr O'Brien's services as Chairman of the Company and $1,889 direct reimbursement of identifiable expenses incurred on the Group's and the Company's behalf at no margin.

c) Mr O'Brien is sole director of Leslie Manor Pty Limited ('Leslie Manor'). An amount (including GST) of $NIL (2008:$8,568) was paid to this entity during the year ended 30 June 2009. The Company reimbursed Leslie Manor at cost for the lease of a motorbike used in conducting the Group's field trials. The Group and the Company purchased the motorbike from Leslie Manor during the year ended 30 June 2008.

d) The Company employs an executive assistant to provide part-time support to Mr O'Brien.

e) Professor Anderson is an employee of La Trobe University. During the course of the financial year ended 30 June 2009, amounts (including GST) totaling $1,436,424 (2008: $1,048,030) were paid or payable by Hexima to La Trobe University for research work carried out on behalf of the Group and the Company. These transactions were conducted on normal commercial terms. Trade accounts and/or accruals payable to La Trobe University at 30 June 2009 were $1,432,199 (2008: $667,016).

f) Mr Skala is a consultant to Arnold Bloch Leibler. Mr Skala retired as a partner of Arnold Bloch Leibler in 2004. An amount (including GST) of $62,816 (2008: $116,523) was paid to Arnold Bloch Leibler during the financial year ended 30 June 2009 for legal services (and expenses associated therewith) provided to Hexima. These services were provided and expenses incurred on normal commercial terms. Trade accounts and/or accruals payable to Arnold Bloch Leibler at 30 June 2009 were $NIL (2008: $2,208).

g) Mr Skala is a director of Wilson HTM Investment Group Limited, who underwrote the capital raising completed in August 2007. These services were provided on normal commercial terms. Underwriting fees and expense reimbursements of $NIL were paid to Wilson HTM Investment Group during the financial year ended 30 June 2009 (2008: $2,584,152).

h) Mr Hofheimer was previously a partner of Sidley Austin LLP before joining Hexima in June 2008. An amount of $128,317 (2008: $170,254) was paid or payable to Sidley Austin during the year ended 30 June 2009 for legal services (and expenses associated therewith) provided to Group and the Company. These transactions were on normal commercial terms. Trade accounts and/or accruals payable to Sidley Austin at 30 June 2009 were $2,467 (2008: $63,471).

Related Party Transactions

During the year, the Company provided an interest free loan of $332,540 to its subsidiary Hexima Holdings Pty Ltd. This loan is outstanding at 30 June 2009.

26. Capital Commitments

	Consolidated		Parent Entity
	($) 2009	($) 2009	($) 2008
Capital expenditure commitments			
Plant and equipment			
Contracted but not provided for and payable			
Within one year	1,764,052	-	-
	1,764,052	-	-

The capital commitment is in relation to the construction of a corn transformation facility, incorporating glasshouse and laboratory space, by the Group.

27. Operating Leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Consolidated		Parent Entity
	($) 2009	($) 2009	($) 2008
Less than one year	95,442	95,442	-
Between one and five years	3,800	3,800	-
	99,242	99,242	-

1. In the opinion of the Directors of Hexima Limited ('the Company'):
   (a) the financial statements and notes, and the Remuneration Report in the Directors' Report, set out on pages 18 – 29, are in accordance with the Corporations Act 2001, including:
      (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2009 and of their performance, for the financial year ended on that date; and
      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
   (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a);
   (c) there are reasonable grounds to believe that the Company will be able pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer/Managing Director and the Chief Financial Officer for the financial year ended 30 June 2009.

Signed in accordance with a resolution of the Directors:

Dated at Melbourne 18th day of August 2009.

Mr GF Dan O'Brien
Director

Mr Joshua T Hofheimer
Director

Independent auditor's report to the members of Hexima Limited

Report on the financial report

We have audited the accompanying financial report of Hexima Limited ("the Company"), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 27 and the directors' declaration set out on pages 30 to 49 of the Group 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements,* that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

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*.

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

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

Report on the remuneration report

We have audited the Remuneration Report included in pages 24 to 28 of the directors' report for the year ended 30 June 2009. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Hexima Limited for the year ended 30 June 2009, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Ralph Ferguson

Partner

Melbourne

18 August 2009

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

To: the directors of Hexima Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2009 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Ralph Ferguson
Partner

Melbourne

18 August 2009

SHAREHOLDER INFORMATION

Shareholder information set out below was applicable as at 30 September 2009

1. Distribution of Equity Securities

	No of Holders	Ordinary Shares	%
1 to 1,000	33	26,297	0.03
1,001 to 5,000	239	809,176	1.03
5,001 to 10,000	181	1,524,342	1.94
10,001 to 100,000	313	9,938,960	12.63
100,001 and Over	60	66,377,533	84.37
Totals	826	78,676,308	100.00

There were 13 holders of less than a marketable parcel of shares

2. Twenty largest equity security holders

	Name	Number Held	%
1	Balmoral Australia Pty Ltd	6,102,180	7.76%
2	Hugh Morgan	5,954,503	7.57%
3	Clianth Pty Ltd	4,213,510	5.36%
4	Pioneer Hi-Bred International Inc.	4,000,000	5.08%
5	Adrienne Clarke	3,894,922	4.95%
6	Beta Gamma Pty Ltd <Walsh Street Super Fund A/C>	3,885,484	4.94%
7	National Nominees Limited	3,491,539	4.44%
8	Huysmans Pty Ltd	2,932,513	3.73%
9	Copplemere Pty Ltd <ATF Skala Media Trust A/C>	2,469,093	3.14%
10	Woobinda Nominees Pty Ltd	2,469,093	3.14%
11	Robyn Heath	2,381,935	3.03%
12	Marilyn Anderson	2,381,935	3.03%
13	Invia Custodians Pty Ltd <GF & PA O'Brien S/F A/C>	2,375,675	3.02%
14	J P Morgan Nominees Australia Limited	2,266,842	2.88%
15	Gowing Bros Ltd	1,868,898	2.38%
16	Dr Jonathan West	1,611,702	2.05%
17	Joshua Custodians Pty Ltd <Steven Skala Super A/C>	1,543,637	1.96%
18	AEC Super Pty Ltd	1,522,997	1.94%
19	Casey Manor Pty Ltd	1,116,080	1.42%
20	Amcil Limited	875,000	1.11%
	Total	57,357,538	73.00%
	Balance Of Register	21,218,770	27.00%
	Grand Total	78,576,308	100.00%

3. Unquoted equity securities

	Number on issue	Number of holders
Options issued	11,584,864	16

4. Substantial Shareholders

Name	Number Held	%
Hugh Morgan	6,454,503	8.20%
Robert Oatley	6,102,180	7.76%
Adrienne Clarke	5,417,919	6.89%
GF Dan O'Brien	4,844,768	6.16%
Clianth Pty Ltd	4,213,510	5.36%
Steven Skala	4,012,730	5.10%
Pioneer Hi-Bred International	4,000,000	5.08%

5. Voting Rights

On a show of hands each person as a member, proxy, attorney or representative has one vote, and on a poll each member present or by proxy, attorney or representative has one vote for each share held.

CORPORATE DIRECTORY

Hexima Limited
ABN 64 079 319 314

Directors
Mr Steven M Skala
Non-Executive Chairman

Mr Joshua T Hofheimer
Chief Executive Officer

Professor Adrienne E Clarke, AC
Non-Executive Deputy Chairman

Mr Hugh M Morgan, AC
Non-Executive Director

Professor Jonathan West
Non-Executive Director

Company Secretary
Ms Justine C Heath

Registered Office
Level 5, 114 William Street
Melbourne VIC 3000

Telephone: +61 3 8629 2999
Facsimile: +61 3 8629 2990

www.hexima.com.au

Auditor
KPMG
147 Collins Street
Melbourne VIC 3000

Legal Advisors
Arnold Bloch Leibler
Level 21, 333 Collins Street
Melbourne VIC 3000

Bankers
National Australia Bank
Westpac Banking Corporation

Stock Exchange Listings
Australian Securities Exchange
(Code HXL)

Share Registry
Link Market Services Limited
Level 9, 333 Collins Street
Melbourne VIC 3000

Telephone: +61 2 8280 7111
Facsimile: +61 2 9287 0303

www.linkmarketservices.com.au