



HEXIMA

MMXL

HEXIMA LIMITED • 2010 ANNUAL REPORT



The Annual General Meeting of Hexima Limited will be held at the KPMG Theatre, Ground Floor, 147 Collins Street, Melbourne, Victoria on Tuesday, 23 November at 11 am.

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Forward Looking Statements

Certain statements in this Report relate to the future, including forward looking statements relating to Hexima's future expectations, beliefs, goals, plans, prospects, financial position and strategy. These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of Hexima to be materially different from future results, performance or achievements expressed or implied by such statements. Neither Hexima nor any other person gives any representation, assurance or guarantee that the occurrence expressed or implied in any forward looking statements in this document will actually occur and you are cautioned not to rely on such forward looking statements.

Subject to any continuing obligations under applicable law or any relevant listing rules of the Australian Securities Exchange, Hexima disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements in this document to reflect any change in expectations in relation thereto or any change in events, conditions or circumstances on which such statement is based.



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HIGHLIGHTS



- ➔ FIRST TRANSGENIC CORN PLANTS EXPRESSING ANTIFUNGAL PROTEINS.
- ➔ COMPLETION OF CORN TRANSFORMATION AND GLASSHOUSE FACILITY.
- ➔ APPOINTMENT OF EXPERIENCED BIOTECHNOLOGY EXECUTIVE CHAIRMAN, ROSS DOBINSON.
- ➔ MGEV RESEARCH LICENCE AND COMMERCIAL OPTION WITH MONSANTO.
- ➔ CASH RESERVES AT YEAR END OF ~\$23M.
- ➔ HEXIMA IS WELL POSITIONED TO REALISE OPPORTUNITIES IN LARGE AND GROWING MARKETS.

CHAIRMAN'S LETTER





Dear Shareholders,

The past year has been a busy one for Hexima. The Company has underpinned the growth of its core technologies with the development of a significant new corn transformation and glasshouse facility, and new collaborations with key industry players. The Company has also grown its patent portfolio to include pharmaceutical applications and has recently initiated a strategic review of its commercial relationships and technology portfolio to accelerate commercial returns.

Scientific Progress

During the year Hexima made significant progress with the fungal disease resistance collaboration with Pioneer Hi-Bred International (a subsidiary of DuPont). The Company has successfully completed all the initial technical milestones required in the first-year review and the first GM corn plants are growing in the Company's new glasshouse facility.

The corn transformation facility is integral to the success of the DuPont/Pioneer anti-fungal collaboration. It was completed on time and on budget. In February, the facility received Physical Containment Level 2 (PC2) certification and in March, Hexima's corn transformation team commenced work in the facility. In the same month, the Company announced the production of its first transgenic corn plants. Testing for fungal resistance in the glasshouse will commence soon.

Leadership Changes

2011 will be a significant year for the Company. To accelerate commercial development, Hexima has restructured its management team. I have joined as Executive Chairman from July 2010, and Mr Steven Skala AO will continue as Non-Executive Director. Professor Marilyn Anderson was appointed Chief Science Officer in July 2009 and will also join the Board.

Former Chief Science Officer, Professor Adrienne Clarke AC, has continued to serve as a Non-Executive Director and as Deputy Chairman of the Board. She has also played an important role as the Company's Science Advisor.

Strategic Review

Hexima is at an interesting point in its commercial maturation: the Company is focused on a number of high value technologies with commercial potential and it has met a number of key scientific milestones in its antifungal technology program.

We have commenced a wide-ranging strategic review of Hexima's developing technologies and their path to market. We are determined to ensure value is realised as milestones are met, with particular focus on the milestones within the commercialisation agreement with DuPont/Pioneer for our fungal control technology in corn and soy. We are also focused on realising the value of this technology in secondary crops and commercialising our secondary technologies. To facilitate this, we are building the alliances needed to ensure the potential of Hexima's technology is recognised in the industry.

Hexima has the potential to become a key player in ag-biotechnology research and innovation. The team is working to ensure Hexima's technology realises its potential to increase agricultural productivity.

Ross Dobinson
Executive Chairman

HEXIM

YEAR IN REVIEW

Hexima's focus on fungal control in corn with DuPont/Pioneer

Hexima has three main technologies: fungal control, insect control and an enabling technology or biotechnology tool, known as the Multi-Gene Expression Vehicle (MGEV). While many genes with commercial potential are identified in laboratories worldwide, very few are validated in the field. From 2004 to 2008, Hexima conducted multiple years of cotton field trials of both the insect and fungal control technologies. These trials demonstrated that Hexima's genes reduced pest damage and increased yield in a commercial crop under a variety of climatic and geographic conditions.

The results of Hexima's antifungal cotton field trials were compelling, delivering up to 70 percent higher plant survival rates and more than double the yield compared to the non-GM control. Cotton is an important GM crop in Australia, but it shrinks into insignificance when compared to the dominant GM markets, corn and soy. Hexima sought to leverage its field trial results and partnered with a major seed company to target corn and soy. Hexima entered into its first major commercialisation agreement with a DuPont subsidiary, Pioneer Hi-Bred International in August 2008.

With DuPont/Pioneer's scientific knowledge base, proven strengths in commercial development and market share in the world's dominant GM crops, DuPont/Pioneer is an excellent partner for the development of Hexima's antifungal technology.



Progress on the fungal control program in corn

Hexima's corn antifungal technology is our lead program and all of the programs milestones to date have been achieved.

Although the technology has been demonstrated in cotton field trials, the first stage of the program required Hexima's discovery team to expand the Company's portfolio of anti-fungal genes to address the major diseases of corn. Meanwhile, the product development team extended their strong transformation skills in crops such as cotton and canola to corn. Although a significant crop in the Americas, corn is a minor crop in Australia. At the same time, Hexima commenced the construction of a new corn transformation, tissue culture and glasshouse facility to house the growing program.

The program has successfully progressed from the laboratory to the glasshouse. Hexima's product development team commenced transferring gene constructs into corn shortly after the completion of the new facility early in 2010. Transgenic corn plants are now growing in the facility and testing for resistance to fungal disease is due to commence shortly.

Scientific progress is discussed in more detail in Technology Developments.



Future GM market for wheat: significant potential of fungal control

The GM seed market has grown steadily since its inception in 1996. Major crops include corn, soy, canola, cotton and sugar beet. The dominant crops (measured by seed and technology sales) are corn and soy, which represent over 80% of the current GM crop market. It is anticipated that the market will expand significantly if GM wheat is introduced commercially. Wheat is the world's largest crop, grown on more than 200 million hectares worldwide, with further growth predicted with rapid population growth and changing consumption patterns favouring higher protein crops like wheat.

The introduction of GM wheat may still be some years away but all major seed companies have announced their interest and have made a commitment to the crop. While insect and weed control traits have delivered enormous value in existing GM crops, the problems of fungal disease and abiotic stress may present the most pressing needs in wheat. A cotton fungal disease controlled in Hexima's field trials is closely related to a major disease of wheat and Hexima sees considerable potential for its technology in the opening market.

MGEV enabling technology: broad licensing strategy for commercialisation

Hexima aims to commercialise its MGEV enabling technology through a broad licensing strategy with multinational agribusiness companies. MGEV is a biotechnology tool that delivers multiple proteins into a plant in a single process, known as an 'event'. The MGEV has potential to deliver high levels of protein expression, overcoming an important hurdle to the commercial use of many genes of interest. The MGEV also has potential to simplify the process of creating 'gene stacks', where multiple GM traits are integrated into a single product. As new GM traits reach market, seed companies face an increasingly complicated and time-consuming task in breeding each of these traits into their seed. Delivery tools like MGEV will play an increasingly important role for agribusinesses by enabling product differentiation.

In February 2010, Hexima signed a non-exclusive research license and commercial agreement with Monsanto Company to facilitate commercialisation of the MGEV. Monsanto is assessing the effectiveness of the MGEV in facilitating the expression and processing of multiple genes of interest in corn, soy and other plant species. The Company also entered into a non-exclusive research license which gives Hexima access to two of Monsanto's cotton Bt insect-control genes for research purposes.

This agreement followed a non-exclusive research license agreement with DuPont/Pioneer in August 2009. DuPont/Pioneer are evaluating the effectiveness of the MGEV technology with their genes of interest in corn and soy.

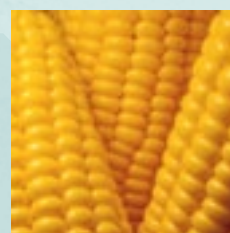
These agreements have enhanced the commercial potential of Hexima's technology and will allow these industry leaders to explore the scope for application of the MGEV across a range of crops.



TECHNOLOGY DEVELOPMENTS

Hexima's team has achieved a number of key milestones over the past year:

First transgenic corn plants expressing antifungal proteins



First transgenic canola plants expressing antifungal proteins



Completion of corn transformation and glasshouse facility



Other achievements include:



Publications in leading academic journals

Filing of 2 new patent applications



Disease Resistance

Hexima's lead scientific program, disease resistance for corn, is outlined step by step over the following pages. During the year, Hexima employed more scientists across the five dedicated disease resistance teams, the gene discovery, constructs, corn transformation, glasshouse and bioassay teams. Hexima's commercial partner for this project, DuPont/Pioneer, confirmed that all scientific targets had been met at the first annual review of the project.

Successes in the corn program can be leveraged into other crops. Earlier this year, Hexima produced its first transgenic canola plants expressing antifungal proteins. Our scientists also study diseases of wheat, soybean, cotton, sugar beet and other major global crops.

Glasshouse Facility

In February, the Company opened its new state of the art glasshouse facility that also houses significant laboratory and growth room space, primarily for corn transformation. The new facility, located at La Trobe University's R&D Park, dramatically increases Hexima's corn transformation capacity. The facility can house up to 10,000 transgenic corn plants for testing annually. This frees up Hexima's other glasshouse and growth room facilities for cotton and canola transformation.

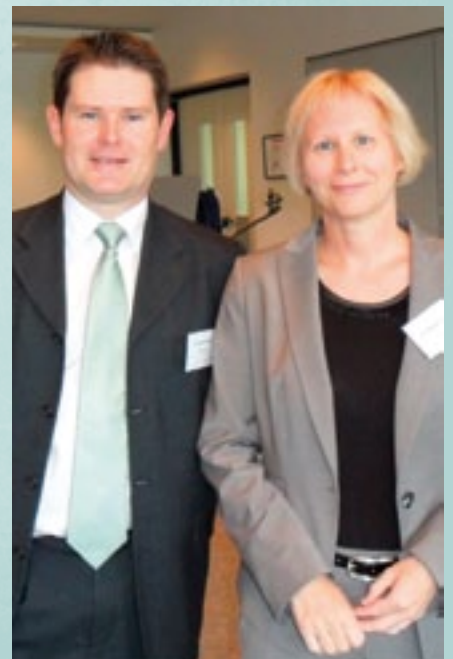
Insect Control

Hexima continues to develop its insect control technology. The existing market leading insect control trait, known as Bt, has established a multi-billion dollar market. Resistance to the Bt trait is largely being managed by the major seed companies, but investment continues in alternative modes of action to replace the technology if resistance becomes widespread. Hexima's team are recognised leaders in understanding the life cycle of *Helicoverpa armigera*, a major insect pest currently controlled by the Bt technology. The Company is examining combinations of proteins including its proprietary proteinase inhibitors (PIs) to form the base of such a substitute technology.

The \$1.38 million Climate Ready Grant received from the Federal Government leverages the Company's own investment in this technology and is an outstanding recognition of the positive impact of the Company's crop technologies in mitigating the impact of greenhouse gases on the environment and adapting agriculture to a changing climate.

Pharmaceutical Applications

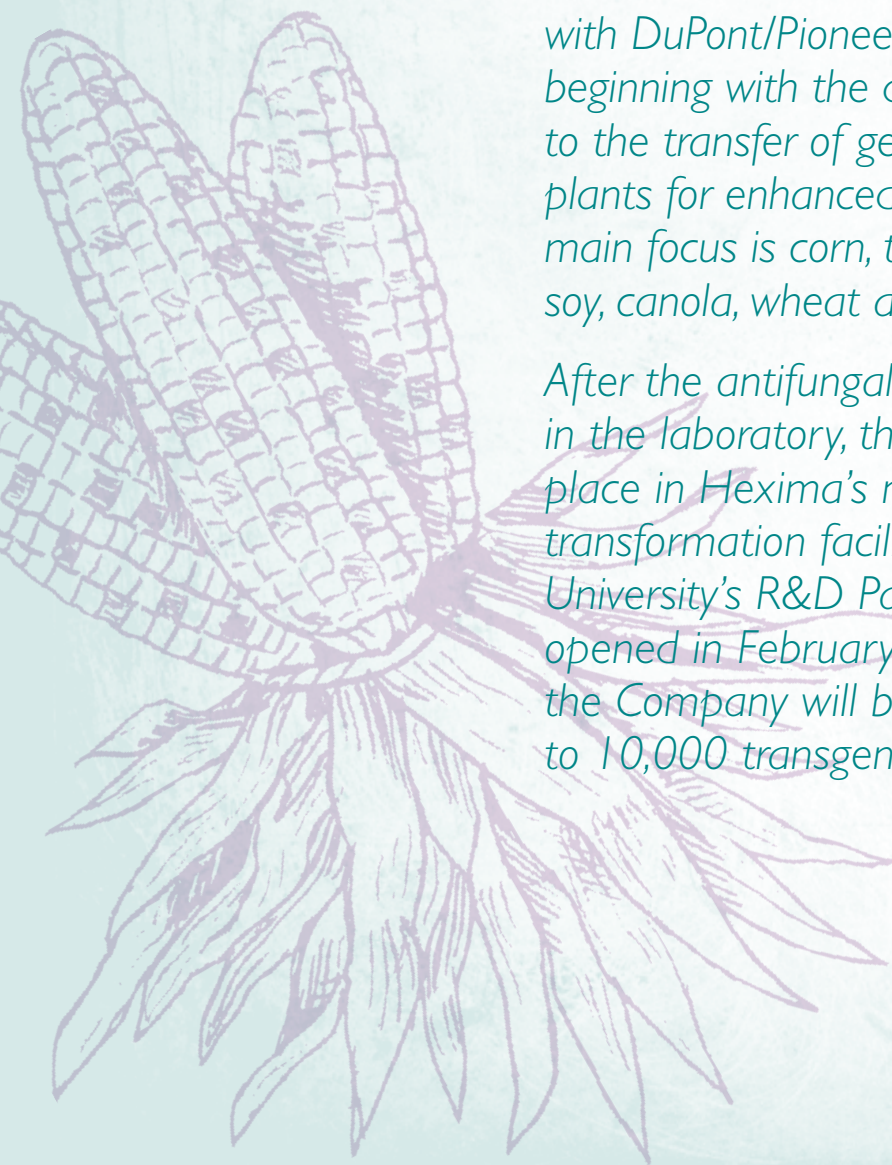
A patent was filed during the year for the pharmaceutical applications of Hexima's technologies for oncology. This research is early stage but potentially commercially significant.



Creating disease resistant corn

The following diagrams demonstrate the key steps Hexima is undertaking to develop a disease resistance trait for corn in partnership with DuPont/Pioneer. Each of the steps overlap, beginning with the discovery of antifungal genes to the transfer of genes into corn and testing plants for enhanced disease resistance. While our main focus is corn, this work can be leveraged into soy, canola, wheat and other crops.

After the antifungal proteins have been identified in the laboratory, the remaining steps take place in Hexima's new glasshouse and corn transformation facility located at La Trobe University's R&D Park. The 1200m² facility opened in February 2010 and, at peak capacity, the Company will be able to grow and test up to 10,000 transgenic corn plants per annum.

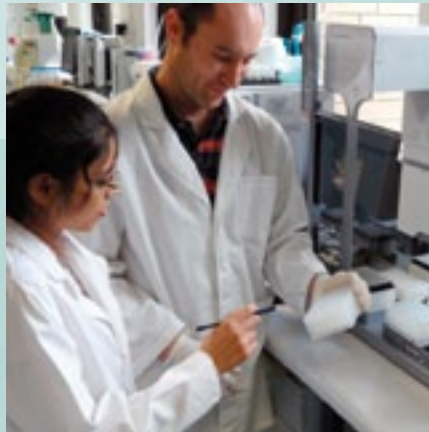


STEP 1

Discovery of Antifungal Proteins

The Gene Discovery Team has made great progress in the quest to control the key diseases of corn. During the year promising leads against several of the key diseases were discovered. Over the coming year new leads will be identified and existing leads refined and improved.

Our robotic screening process is also being used to identify proteins that control diseases of other key crops. Hexima holds the rights to commercialise gene leads arising from the corn program in all crops other than corn and soy.

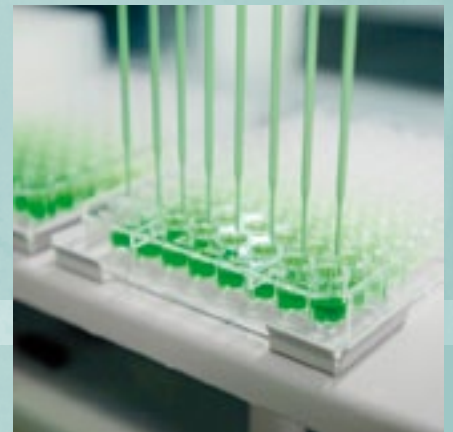


Various plant species are screened for new antifungal molecules.

MOLECULES ARE EXTRACTED FROM PLANTS. PROTEINS ARE PURIFIED USING HIGH PRESSURE LIQUID CHROMATOGRAPHY.

Robotic platforms are used for simultaneous screening of many proteins.

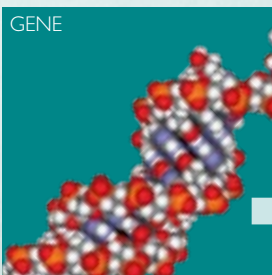
TEST PROTEINS ARE DISPENSED INTO 96-WELL PLATES USING A ROBOTIC LIQUID HANDLING PLATFORM. FUNGAL SPORES ARE THEN ADDED.



The ability of proteins to inhibit the growth of various fungal pathogens is measured.

THE FUNGAL SPORES ARE ALLOWED TO GERMINATE AND GROW FOR 24-48 HOURS IN THE PRESENCE OR ABSENCE OF PROTEIN. GROWTH IS MONITORED USING A MICROTITRE PLATE READER.

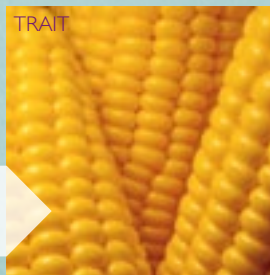
GENE



PROTEIN



TRAIT



Lead protein combinations are selected and the genes that code for these proteins are transferred into plants.

PROTEINS THAT INHIBIT FUNGAL GROWTH ARE SELECTED AND THE GENES THAT ENCODE THESE PROTEINS ARE TRANSFERRED INTO PLANTS.

STEP 2

Production of Embryos for Gene Transfer into Corn

The production of high quality corn embryos is critical for successful and efficient corn transformation. Hexima's Glasshouse team maintain constant production with new plants ready for harvest every week. These non-transgenic corn plants produce the cobs from which the embryos are extracted.

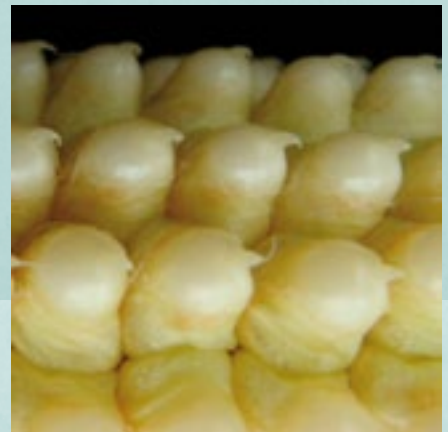
Corn plants are grown in the glasshouse.



Ears are pollinated.



Immature corn cobs are collected and embryos are harvested for production of transgenic corn.



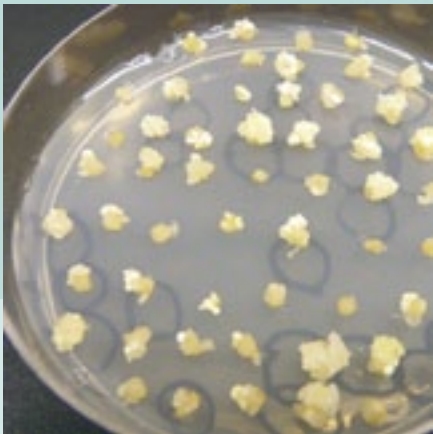


Young corn cobs are selected and immature embryos are harvested.

Production of Transgenic Corn

Hexima made significant progress in this critical part of the program during the year, with the production of the Company's first transgenic corn plants expressing various antifungal proteins. This achievement flowed from the successful design and implementation of a world class corn transformation system based on key enabling technology and materials provided by DuPont/Pioneer and the state of the art environment provided in the new glasshouse facility.

Hexima's Transformation group has experience transforming a wide range of crops. Hexima routinely transforms cotton and canola in addition to corn. Each crop is transformed using unique methods and requires specific skills.



New genes are transferred into immature embryos.



Embryos containing the new gene develop into callus which produces new transgenic embryos.



Transgenic embryos give rise to transgenic corn plants.

STEP 3



STEP 4

Bioassays: Testing Corn for Disease Resistance

The final step undertaken by Hexima is the testing of transgenic corn plants to determine whether the antifungal proteins are providing the plants with effective resistance when they are deliberately infected with the target diseases. The results of these bioassays will determine which leads Hexima hands over to DuPont/Pioneer for commercialisation.

Full scale bioassays will commence when enough transgenic corn plants have been produced to enable properly replicated experiments. In the lead up to this the Bioassay team have been developing and refining their protocols to ensure an efficient transition into full scale bioassays.

Glasshouse bioassays are used to select transgenic plants that are the most resistant to disease.



ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2010

MMXL

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DIRECTORS' REPORT

The Directors present their report together with the financial report of Hexima Limited ('the Company' or 'Hexima') and of the group, being the Company and its subsidiaries for the financial year ended 30 June 2010 and the auditor's report thereon.

Directors

The Directors of Hexima at any time during or since the end of the financial year are:

Ross Dobinson

BBus (Qld University of Technology)

Chairman

Ross Dobinson has extensive corporate advisory and investment banking experience. He has taken two highly successful biotechnology companies from pre-seed stage to listed status with a current market capitalisation of \$400 million. In addition, he has been involved in venture capital initiatives in Australia, Europe and the United States.

Mr Dobinson is Chairman of Acrux Limited, Micronix Pty Ltd, Diagnotech Pty Ltd, Farm By Nature Pty Ltd, and TPI Enterprises Ltd. He is also a Director of Starpharma Holdings Limited, Origin Capital Limited, Sienna Cancer Diagnostics Ltd, PharmaQest Pty Ltd, Healthfarm Fine Foods Pty Ltd and Racing Victoria Limited. He was formerly a director of the listed stockbroking firm of Jacksons Limited, Head of Corporate Advisory Services at the stockbroking firm operated by National Australia Bank Limited (A.C. Goode & Co. Ltd), Director of National Australia Corporate Advisory Limited, and Director of Corporate Advisory of Dresdner Australia Proprietary Limited.

Mr Dobinson was appointed Chairman on 21 July 2010. He is a member of the Audit and Risk Management and Remuneration 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 (1991-1996), 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 (1997-1998). 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 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.

Steven M Skala AO

BA, LL.B (Hons) (University of Qld), BCL (Oxford University)

Non-Executive Director

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, Wilson HTM Investment Group Limited, and The Centre for Independent Studies and he is Deputy Chairman of the General Sir John Monash Foundation. He is also Vice President of The Walter and Eliza Hall Institute for Medical Research and was previously Chairman of Film Australia Limited and The Australian Centre for Contemporary Arts and a director of Max Capital Group Limited and The Australian Ballet.

Mr Skala has been a Director of the Company since 17 May 2002. He was Chairman of the Company from 2002 until 30 June 2008. He was reappointed as Chairman on 2 October 2009 and resigned as Chairman on 21 July 2010. He is also a member of the Audit and Risk Management and Remuneration Committees.

Joshua T Hofheimer

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

Non-Executive Director

(formerly Chief Executive Officer/Managing Director, resigned 1 July 2010 but continues as non-executive director)

Joshua Hofheimer became CEO and Managing Director of Hexima in July 2008. He resigned to return to the United States in July 2010. 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 has been a Director of the Company since 1 July 2008.

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 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 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.

G F Dan O'Brien

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

Formerly Non-Executive Chairman, resigned 2 October 2009

Dan O'Brien was appointed a Director of the Company on 17 May 2002 and 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, Select Harvests Limited and Thomas and Coffey Limited. His previous roles include Chief Executive Officer positions with BIL Australia, Mattel Asia Pacific and The King Island Company Limited.

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.

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:

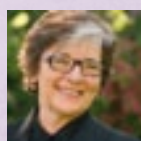
	Board Meetings		Audit and Risk Management Committee		Remuneration Committee	
	Held ⁽¹⁾	Attended	Held ⁽¹⁾	Attended	Held ⁽¹⁾	Attended
GF Dan O'Brien	3	3	1	1	1	1
Adrienne E Clarke	10	10	2	2	1	1
Joshua T Hofheimer	10	10	-	-	-	-
Steven M Skala	10	10	2	2	1	1
Hugh M Morgan	10	9	2	2	1	1
Jonathan West	10	8	2	1	1	1

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

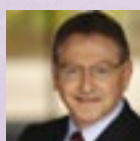
2 Mr Dobinson was appointed after the end of the financial year.



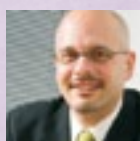
Mr Dobinson



Prof Clarke



Mr Skala



Mr Hofheimer



Mr Morgan



Prof West

CORPORATE GOVERNANCE STATEMENT

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 3 to 4 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 two directors who satisfy the ASX guidelines for independence (being Mr Ross Dobinson and Professor Jonathan West). Mr Steven Skala, Mr Hugh Morgan, Professor Adrienne Clarke and Mr Joshua Hofheimer are Non-Executive Directors but do not qualify as independent because of their shareholdings in Hexima, and Professor Clarke and Mr Hofheimer's case, due to their previous executive role 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. 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. 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 Ross Dobinson, Mr Steven Skala, Mr Hugh Morgan and Professor Adrienne Clarke.

The Remuneration Committee meets at least once a year in order to review and make recommendations to the Board. The Remuneration Committee met once during the year and the committee members' attendance record is disclosed in the table of Directors' meetings on page 5. 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 20 to 22 and forms part of the Directors' Report for the financial year ended 30 June 2010.

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 lodgment 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 (Chairman), Mr Ross Dobinson, Mr Steven Skala, Professor Jonathan West and Professor Adrienne Clarke.

Audit and Risk Management Committee (continued)

The Chief Operating Officer/ 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 5.

The Chief Operating Officer/ Chief Financial Officer has declared in writing that the records for the year have been properly maintained, the Company's financial reports for the year ended 30 June 2010 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;
- 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 Operating Officer/ Chief Financial Officer has 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 in 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.

PRINCIPAL ACTIVITIES

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

\$000	2010	2009
Revenue	1,135	1,046
Net loss before financing income/expense	(7,291)	(13,358)
Net financing (costs)/income	1,172	2,082
Income tax expense	-	-
Net loss after tax attributable to members	(6,119)	(11,276)
Dividends	NIL	NIL
Basic earnings/(loss) per share (cents)	(7.7)	(14.4)

Summary

The Board is pleased with the progress made by the Group since listing in 2007:

- Hexima entered into its first development and commercialization agreement for one of its major technology platforms, fungal disease control, with DuPont subsidiary, Pioneer Hi-Bred International. This agreement secures the commercial path to market for the technology in corn and soy, the two major GM crops, currently accounting for more than 80% of the area planted to GM crops.
- Hexima has advanced the corn program from the laboratory into the glasshouse. The Company has produced its first GM corn expressing its proprietary anti-fungal proteins and the program is now advancing towards the disease bioassay stage.
- Hexima has entered into second non-exclusive research collaboration with Pioneer, for Hexima's MGEV technology platform.
- Hexima has also entered into a non-exclusive research license with a commercial option for the MGEV platform with global biotech market leader, Monsanto.
- The Group has conserved cash and operated below internal budgets and publicly announced expenditure estimates.

At 30 June 2010, the Group has \$23.1m in cash and interest receivables, which provides 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 \$6.866 million for the year ended 30 June 2010 compared with \$7.164 million for the prior period. Overall cash expenditure was largely in line with the prior period and the variance reflects movements in creditors.

The Group recorded a loss after tax of \$6.119 million for the year ended 30 June 2010. The Group recorded a loss after tax of \$11.276 million for the previous year.

Net finance income for the Group for the financial year ended 30 June 2010 was \$1.172 million (2009: \$2.082 million), reflecting lower cash balances as cash is utilised and lower interest rates in the current reporting period.

Outlook

Hexima's lead technology targets fungal disease in major crops. This technology is being developed for corn and soy in collaboration with DuPont subsidiary, Pioneer Hi-Bred International, under an agreement which provides for the development and commercialisation of the technology and sets out milestone payments and royalties.

The initial target is broad-spectrum fungal disease resistance in corn, the market dominant GM crop by value. 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. It is estimated that fungal disease causes yield losses worth approximately US\$8 billion each year in the Americas alone.

As well as establishing a clear path to market, the agreement represents a significant validation of the Group's technology and scientific expertise.

Over the past year, Hexima's discovery team has built upon the Company's valuable gene library, with the goal of identifying a range of anti-fungal proteins needed to create a robust, sustainable trait for the control of the major diseases of corn. Over the same period, Hexima's development teams have honed their corn transformation expertise using skills and technology transferred from Pioneer and the Company has completed the construction of significant new glasshouse and tissue culture facilities to house the next stage of the program.

Transgenic corn plants expressing Hexima's anti-fungal proteins are now growing in the new facility. As the program generates a sufficient number of plants over the coming months, glasshouse testing to measure the transgenic plants' resistance to fungal disease will commence.

The Group also continues to progress the development and commercialisation of its insect resistance technology and the Multi-Gene Expression Vehicle (MGEV). The Group's insect resistance technology is partially funded by the Federal Government's Climate Ready program.

During the financial year, the Group announced a number of non-exclusive research licences with major seed companies. The Group entered into a non-exclusive research licence with DuPont subsidiary, Pioneer, for the evaluation of the MGEV technology in corn and soy using Pioneer genes. This licence enables Pioneer to use the MGEV technology outside of the current fungal disease collaboration, thus extending the partnership into new areas of co-operation.

These relationships validate the Group's scientific platforms and provide for the extension of its commercial relationships.

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:

In February 2010, Mr Joshua Hofheimer, who was then Chief Executive Officer and Managing Director, announced his intention to resign, effective 1 July 2010, and return to the United States. Mr Hofheimer has since resigned effective 1 July 2010 and will continue to serve as a non-executive director of the Company.

Dividends

The Company has not paid or declared any dividends during or since the end of the financial year ended 30 June 2010.

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 Group. For the financial year ended 30 June 2010, key management personnel comprises all Directors, executives and the Company Secretary, being Mr Joshua Hofheimer (resigned as Chief Executive Officer/Managing Director as of 1 July 2010, ongoing non-executive Director), Professor Adrienne Clarke, Mr Steven Skala, Professor Jonathan West, Mr Hugh Morgan, Professor Marilyn Anderson, Dr Robyn Heath and Ms Justine Heath. Since year end, Mr Ross Dobinson has joined the key management group. 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. No options were issued to employees during the financial year. Details are provided on page 16 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 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.

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 Group. This employment contract has a term of two years from 1 January 2010 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 Group. This employment contract has a term of two years from 1 January 2010 and may be terminated with three months' notice by the employee.

Justine C Heath

Ms Heath, Company Secretary, Chief Operating Officer and Chief Financial Officer, has an employment contract with the Company for an unlimited term. This employment contract may be terminated with two months' notice by the employee. The Company is required to provide six months notice of termination and retains the right to terminate the contract immediately, by making payment equal to six months' pay in lieu of notice.

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 2010 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 Short-term employee benefits	Share based payments		Post Employment Benefits – Superannuation	Total Remuneration	Proportion of remuneration performance related	Value of Options as proportion of Remuneration
		Fixed Remuneration (Salary & Fees)	Short Term Incentive (cash)		Share Options Issued ⁽⁷⁾	Converting Notes Issued				
Non-executive Directors										
Steven M Skala ⁽²⁾ (Chairman for part of year)	2010	75,688	-	75,688	-	-	18,291	93,979	-	-
	2009	-	-	-	-	-	55,000	55,000	-	-
Jonathan West	2010	50,458	-	50,458	-	-	4,542	55,000	-	-
	2009	50,458	-	50,458	-	-	4,542	55,000	-	-
Hugh M Morgan	2010	50,458	-	50,458	-	-	4,542	55,000	-	-
	2009	50,458	-	50,458	-	-	4,542	55,000	-	-
Adrienne E Clarke ⁽³⁾	2010	5,000	-	5,000	-	-	50,000	55,000	-	-
	2009	205,864	-	205,864	-	-	60,327	266,191	-	-
GF Dan O'Brien ⁽¹⁾ (Chairman, until 2 October 2009)	2010	25,229	-	25,229	-	-	4,541	29,770	-	-
	2009	155,962	-	155,962	-	-	14,038	170,000	-	-
Executive Directors										
Joshua T Hofheimer ^{(4) (7)} (CEO until 1 July 2010)	2010	585,576	-	585,576	266,793	-	14,424	866,793	-	31%
	2009	585,576	-	585,576	212,606	-	14,424	812,606	-	26%
Executives										
Marilyn A Anderson ⁽⁵⁾ (Chief Science Officer)	2010	133,582	-	133,582	-	-	12,022	145,604	-	-
	2009	126,162	-	126,162	-	-	11,354	137,516	-	-
Robyn L Heath ⁽⁶⁾ (Senior Vice President Product Development)	2010	52,257	-	52,257	-	-	37,000	89,257	-	-
	2009	38,724	-	38,724	-	-	37,000	75,724	-	-
Justine C Heath ⁽⁷⁾ (COO, CFO, Co. Secretary)	2010	222,125	-	222,125	-	-	19,991	242,116	-	-
	2009	185,000	-	185,000	7,680	-	16,648	209,328	-	4%
Total	2010	1,200,373	-	1,200,373	266,793	-	165,353	1,632,519	-	16%
Total	2009	1,398,204	-	1,398,204	220,286	-	217,875	1,836,365	-	12%

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

1. Mr O'Brien resigned as Chairman and director on 2 October 2009. Mr O'Brien was paid a pro rata of the agreed Chairman's fee of \$110,000 for the period he was Chairman.

2. Mr Skala was the Chairman of the Company from 2 October 2009 until 21 July 2010. He continues to serve as a Non-Executive Director.

3. Professor Clarke serves as a Non-Executive Director and Deputy Chairman. She was previously an Executive Director of the Company and Chief Science Officer.

4. As part of his remuneration, Mr Hofheimer received allowances for rent and health benefits. Rental expenses totalled \$67,596 (2009: \$58,157) and health benefits amounted to \$25,355 (2009: \$46,341) for the year ended 2010.

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 \$279,470, comprising \$145,604 paid directly by the Company and \$133,866 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 Group 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 \$212,431, comprising \$89,257 paid directly by the Company and \$123,174 paid by The University of Melbourne. The amount shown in the table above represents payments made directly to Dr Heath by the Group only.

7. 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.

Exercise of options granted as compensation – audited

1,483,162 employee options with various exercise prices were exercised during the financial year and 1,000,000 options were exercised subsequent to year end on 1 July 2010.

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	Options over shares
Steven M Skala	4,167,467	-
Adrienne E Clarke	5,417,919	-
Jonathan West	2,000,000	-
Hugh M Morgan	6,454,503	-
Joshua Hofheimer	1,050,000	-
Total	19,089,889	-

Share Options

No options have been granted during or 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
30 June 2012	\$2.00	1,600,000
16 May 2013	\$0.00	112,000
24 November 2018	\$0.00	20,000
		1,732,000

The following options were exercised by Directors or key management personnel or lapsed either during or after the end of the financial year ended 30 June 2010.

	Options over shares 1 July 2009	Exercised	Lapsed	Options over shares at date of this report
Steven M Skala	1,057,768	154,737	903,031	-
Adrienne E Clarke	1,096,971	-	1,096,971	-
Jonathan West	300,000	-	300,000	-
Hugh M Morgan	303,031	-	303,031	-
Joshua Hofheimer	3,000,000	1,000,000*	2,000,000*	-
GF Dan O'Brien (resigned 2 October 2009)	1,231,456	928,425	303,031	-
	6,989,226	2,083,162	4,906,064	-

(*) Transactions occurred after the end of the financial year ended 30 June 2010.

The Group's policies prohibit those that are granted share-based payments as part of their remuneration from entering into other arrangements that limit their exposure to losses that would result from share price decreases. The Group requires all executives and Directors to sign annual declarations of compliance with this policy throughout the period.

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 (\$)	2010	2009
Audit of the annual financial report	51,000	48,600
Review of half year financial report	23,900	23,000

Services other than statutory audit

Special grant audit	3,100	6,000
Tax compliance services	-	1,200
Migration services	-	3,226
	78,000	82,026

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 2010, the Company paid insurance premiums of \$56,155 (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.

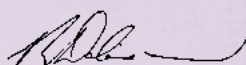
There have been no events subsequent to balance date which would have a material effect on the Group's financial statements as at 30 June 2010, other than those changes in the leadership of the company, which have already been disclosed.

INDEPENDENCE DECLARATION

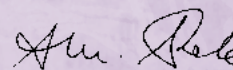
Lead Auditors' Independence Declaration Under Section 370C of the Corporations Act 2001

The Lead Auditor's Independence Declaration is set out on page 44 and forms part of the Directors' Report for the year ended 30 June 2010.

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



Mr Ross Dobinson
Director



Mr Steven M Skala AO
Director

Dated this 27th day of August 2010

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2010

			Consolidated
	Notes	(\$) 2010	(\$) 2009
Revenue	6	1,135,422	1,045,544
Contracted research expenditure		(4,025,142)	(3,408,634)
Other research & development expenditure	7	(344,403)	(6,314,857)
Patent and legal expenses		(418,141)	(555,079)
Field trial expenses		(68,872)	(170,610)
Marketing & business development expenses		(478,681)	(477,551)
Employee benefits expense		(2,568,129)	(2,978,357)
Depreciation expense		(135,291)	(81,482)
Other expenses	8	(387,298)	(417,264)
		(8,425,957)	(14,403,834)
Results from operating activities		(7,290,535)	(13,358,290)
Financial income	9	1,171,557	2,082,267
Net financing income/(expenses)		1,171,557	2,082,267
Loss before income tax		(6,118,978)	(11,276,023)
Income tax expense	10(a)	-	-
Loss for the period		(6,118,978)	(11,276,023)
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive income/(loss) for the period		(6,118,978)	(11,276,023)
Loss attributable to:			
Owners of the Company		(6,118,978)	(11,276,023)
Loss for the period		(6,118,978)	(11,276,023)
Total comprehensive loss attributable to:			
Owners of the Company		(6,118,978)	(11,276,023)
Total comprehensive loss for the period		(6,118,978)	(11,276,023)
Earnings per share			
Basic earnings/(loss) per share	23	(0.077)	(0.144)
Diluted earnings/(loss) per share	23	(0.077)	(0.144)

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

as at 30 June 2010

			Consolidated
	Notes	(\$) 2010	(\$) 2009
Current Assets			
Cash and cash equivalents	11	22,686,174	30,200,685
Receivables	12	485,808	333,865
Total Current Assets		23,171,982	30,534,550
Non-Current Assets			
Plant and equipment	13	2,906,278	858,814
Prepaid expenses		-	25,000
Total Non-Current Assets		2,906,278	883,814
Total Assets		26,078,260	31,418,364
Current Liabilities			
Trade and other payables	14	2,432,591	1,897,439
Deferred income	15	-	600,000
Employee benefits	16	198,564	83,430
Total Current Liabilities		2,631,155	2,580,869
Total Liabilities		2,631,155	2,580,869
Net Assets		23,447,105	28,837,495
Equity			
Share capital	17	57,659,830	57,198,035
Reserves	17	885,768	618,975
Accumulated losses		(35,098,493)	(28,979,515)
Total Equity		23,447,105	28,837,495

The accompanying notes form part of these financial statements



STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2010

Consolidated

	Note	Ordinary Shares	Equity option reserve	Equity compensation reserve	Accumulated Losses	Total equity
(\$) 2010						
Opening balance at 1 July 2009		57,198,035	200,000	418,975	(28,979,515)	28,837,495
Total comprehensive income for the period						
Net (loss) for the period		-	-	-	(6,118,978)	(6,118,978)
Other comprehensive income		-	-	-	-	-
Total comprehensive income/(loss) for the period		-	-	-	(6,118,978)	(6,118,978)
Transactions with owners recorded directly in equity						
Contributions by and distributions to owners						
Issue of ordinary shares on exercise of share options	17	461,795	-	-	-	461,795
Share based payment expenses	17	-	-	266,793	-	266,793
Total contributions by and distributions to owners		461,795	-	266,793	-	728,588
Closing balance at 30 June 2010		57,659,830	200,000	685,768	(35,098,493)	23,447,105
(\$) 2009						
Opening balance at 1 July 2008		51,198,035	200,000	54,155	(17,703,492)	33,748,698
Total comprehensive income for the period						
Net (loss) for the period		-	-	-	(11,276,023)	(11,276,023)
Other comprehensive income		-	-	-	-	-
Total comprehensive income/(loss) for the period		-	-	-	(11,276,023)	(11,276,023)
Transactions with owners recorded directly in equity						
Contributions by and distributions to owners						
Issue of ordinary shares	17	6,000,000	-	-	-	6,000,000
Share based payment expenses	17	-	-	364,820	-	364,820
Total contributions by and distributions to owners		6,000,000	-	364,820	-	6,266,793
Closing balance at 30 June 2009		57,198,035	200,000	418,975	(28,979,515)	28,837,495

The accompanying notes form part of these financial statements

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2010

			Consolidated
	Notes	(\$ 2010)	(\$ 2009)
Cash Flows from Operating Activities			
Cash receipts from government grants & collaboration agreements		535,422	487,927
Cash paid to suppliers and employees		(7,401,708)	(7,651,784)
Net cash (used in) operating activities	19(b)	(6,866,286)	(7,163,857)
Cash Flows from Investing Activities			
Interest received		1,073,831	2,534,228
Payments for plant and equipment		(2,183,851)	(783,739)
Net cash (used in) investing activities		(1,110,020)	1,750,489
Cash Flows from Financing Activities			
Proceeds from exercise of share options	17	461,795	-
Net cash from financing activities		461,795	-
Net (decrease)/increase in cash and cash equivalents		(7,514,511)	(5,413,368)
Cash and cash equivalents at 1 July		30,200,685	35,614,053
Cash and cash equivalents at 30 June	19(a)	22,686,174	30,200,685

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

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 2010 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 complies 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 on 26 August 2010.

(b) Basis of measurement

The financial report has been prepared on the basis of historical cost.

(c) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the 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 notes:

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.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Financial Instruments

(i) Non-derivative financial instruments

The Group initially recognises receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

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.

(ii) Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

(iii) 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.

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. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

	2010	2009
Plant and equipment	15% – 37.5%	15% – 37.5%
Office equipment	33% – 66.7%	33% – 66.7%
Plant and equipment -Building	5%	-

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 an 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 or cost generating unit 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 and development 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.

Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. No costs were capitalised during the period. Other development expenditure is recognized in the profit and loss as incurred.

(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 in respect of 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

As of 1 July 2009 the Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of AASB 8 Operating Segments. Previously operating segments were determined and presented in accordance with AASB 114 Segment Reporting. The new accounting policy in respect of segment operating disclosures has not resulted in any change in segment information disclosure from the prior year.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

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. All assets are located in Australia. All revenue in 2010 and 2009 has been derived from 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 or government bonds that have dates approximating the terms of the Group's obligations.

(m) Share based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do not meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(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) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(p) 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 7,17) 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.

(q) 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 2010, but have not been applied in preparing this financial report:

- AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The adoption of the standard is not expected to have a significant impact on the financial statements.
- AASB 2009-5 Further amendments to Australian Accounting Standards arising from the Annual Improvements Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

(r) Presentation of financial statements

The Group applies revised AASB 101 Presentation of Financial Statements (2007), which became effective as of 1 July 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

4. Financial Risk Management

Overview

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

- credit risk
- liquidity risk
- market risk
- operational risk.

This note presents information about the 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 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 2010, there were no receivables denominated in foreign currencies (2009: \$NIL), however there were amounts payable of USD \$27,478.76 (2009: \$11,636).

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.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management of the Group. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

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 Group is a development stage business, the Board of Directors monitors the Group's performance with particular regard to the progress of scientific programs, the commercialisation of those programs, the development of the Group'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 and therefore the Group's financial information is the same as the operating segment information. The Group's operations is the one segment being the agricultural biotechnology industry developing and/or commercialising agricultural biotechnology research. The majority of operations are in Australia.

6. Revenue

		Consolidated	
	Note	(\$ 2010)	(\$ 2009)
Government grants		535,422	277,659
Research grants and collaboration fees	15	600,000	767,885
		1,135,422	1,045,544

7. Other Research and Development Expenditure

Other research and development expenditure		344,403	314,857
Research intellectual property rights acquired in 2009 - expensed	17	-	6,000,000
		344,403	6,314,857

8. Other Expenses

Administration & compliance costs		211,548	224,738
Other expenses		175,750	192,526
		387,298	417,264

9. Finance Income and Expense

Interest income on term deposit and cash at bank	1,171,557	2,082,267
Finance income	1,171,557	2,082,267

10. Income Tax

(a) Income tax expense

	Consolidated	
	(\$) 2010	(\$) 2009
Loss before tax	(6,118,978)	(11,276,023)
Income tax using the domestic corporation tax rate of 30% (2009: 30%)	(1,835,693)	(3,382,807)
Increase/(decrease) in income tax expense due to:		
R & D concessional increment	(326,923)	(296,528)
Non-deductible share based payment	80,037	109,446
Non-deductible research expenses arising from shares issued as consideration for intellectual property rights	-	1,800,000
Temporary differences not brought to account	(155,955)	49,692
Tax losses not brought to account	2,238,534	1,720,197
Income tax expense/(benefit) on pre-tax net profit	-	-

(b) Unrecognised deferred tax assets

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

	2010	2009
Temporary differences	699,735	855,690
Tax losses	6,071,248	3,832,714
Total	6,770,983	4,688,404

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 could utilise the benefits therefrom. Comparative amounts have been restated to reflect assessed balances.

11. Cash and Cash Equivalents

	Consolidated	
	(\$) 2010	(\$) 2009
Cash on hand	5,279	2,467
Cash at bank	480,895	631,218
Term deposits	22,200,000	29,567,000
	22,686,174	30,200,685

12. Receivables

	Consolidated	
	(\$) 2010	(\$) 2009
Current		
Trade receivables	7,915	2,875
Accrued Interest	389,776	292,050
Prepayments	88,117	38,940
	485,808	333,865

The Group's exposure to credit and currency risks and impairment losses related to trade receivables is disclosed in note 21.

13. Plant and Equipment

Consolidated	Plant and Equipment	Office Equipment	Total
Cost	\$	\$	\$
Balance at 1 July 2009	942,230	77,191	1,019,421
Additions	2,182,755	-	2,182,755
Balance at 30 June 2010	3,124,985	77,191	3,202,176
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 2009	108,373	52,234	160,607
Depreciation for the year	123,999	11,292	135,291
Balance at 30 June 2010	232,372	63,526	295,898
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 2009	833,857	24,957	858,814
At 30 June 2010	2,892,613	13,665	2,906,278

14. Trade and Other Payables

	Consolidated	
Current	(\$) 2010	(\$) 2009
Trade payables	875,479	1,441,794
Other payables & accrued expenses	1,557,112	455,645
	2,432,591	1,897,439

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 21.

15. Deferred Income

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

16. Employee Benefits

	Consolidated	
Current	(\$) 2010	(\$) 2009
Other employee benefit accruals	81,422	-
Superannuation	40,079	37,963
Liability for annual leave	77,063	45,467
	198,564	83,430

17. Capital and Reserves

Reconciliation of movement in capital and reserves

	Number of shares		Amount	
	2010	2009	(\$) 2010	(\$) 2009
Ordinary Shares				
On issue at 1 July	78,576,307	74,576,307	57,198,035	51,198,035
Issued at \$1.50 per share as consideration for intellectual property acquired for research purposes	-	4,000,000	-	6,000,000
Issued at \$0.50 per share on exercise of options	300,000	-	150,000	-
Issued at \$0.31 per share on exercise of options	928,425	-	287,811	-
Issued at \$0.155 per share on exercise of options	154,737	-	23,984	-
Issued at \$0.00 per share on exercise of options	100,000	-	-	-
On issue at 30 June – fully paid	80,059,469	78,576,307	57,659,830	57,198,035

Consolidated and the Parent Entity

(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.

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.

	Number of options		Amount	
	2010	2009	(\$) 2010	(\$) 2009
Equity option reserve				
On issue at 1 July	2,400,000	2,400,000	200,000	200,000
Lapse of share options	800,000	-	-	-
On issue at 30 June – fully paid	1,600,000	2,400,000	200,000	200,000
Equity compensation reserve				
On issue at 1 July	9,284,864	6,164,864	418,975	54,155
Issued as compensation	-	3,120,000	266,793	364,820
Exercise of share options	1,483,162	-	-	-
Lapse of share options	4,669,702	-	-	-
On issue at 30 June – fully paid	3,132,000	9,284,864	685,768	418,975
Total reserve at 30 June 2010	4,732,000	11,684,864	885,768	618,975

Equity Option Reserve

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

Equity Compensation Reserve

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

18. Share-Based Payments

The terms and conditions of the grants for options outstanding at 30 June 2010 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 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 grant to key management personnel on 24 November 2008	2,000,000 ¹	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 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.	10 years
Option granted to key management on 24 November 2008	1,000,000 ²	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	4,732,000		

1 Cancelled since year end as vesting condition being employment has not been met.

2 Exercised on 1 July 2010, being the first exercise date

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

	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	2010	2010	2009	2009
Outstanding at 1 July	\$0.86	11,684,864	\$0.89	8,564,864
Exercised during the period	\$0.33	1,483,162	\$nil	-
Lapsed during period	\$0.72	5,469,702	-	-
Granted during the period	-	-	\$0.80	3,120,000
Outstanding at 30 June	\$1.20	4,732,000	\$0.86	11,684,864

The options outstanding at 30 June 2010 have an exercise price in the range of \$nil to \$2 and a weighted average remaining contractual life of 7.2 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. No share options were granted in 2010, however, share options were granted in 2009.

Fair value of share options and assumptions	2010	2009
Key management personnel and employees		
Fair value at grant date (weighted average)	-	\$0.3199
Share price (weighted average)	-	\$0.3199
Exercise price (weighted average)	-	\$0.8013
Expected volatility (weighted average volatility)	-	78.89%
Option life (expected weighted average life)	-	9.76 years
Expected dividends	-	0.00%
Risk-free interest rate (weighted average based on government bonds)	-	3.09%

Employee expenses

		Consolidated	
	Note	(\$) 2010	(\$) 2009
Current			
Share options granted in 2008 – equity settled		-	54,333
Share options granted in 2009 – equity settled		266,793	310,487
Total expense recognised as employee costs		266,793	364,820

19. Notes to the Statement of Cashflow

19a. 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:

Cash on hand and at bank	11	22,686,174	30,200,685
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19b. Reconciliation of Cash Flows From Operating Activities

		Consolidated	
	Note	(\$) 2010	(\$) 2009
Cash flows from operating activities			
Loss for the period		(6,118,978)	(11,276,023)
Adjustments for:			
Interest received – classified as investing activity		(1,073,831)	(2,534,228)
Depreciation		135,291	81,482
Equity settled share based payment expense		266,793	364,820
Equity issued to DuPont		-	6,000,000
Operating loss before changes to working capital		(6,790,725)	(7,363,949)
(Increase)/decrease in trade and other receivables and prepayments		(126,943)	430,600
Increase/(decrease) in payables and employee benefits		651,382	369,492
Increase/(decrease) in deferred income		(600,000)	(600,000)
Net cash from/(used in) operating activities		(6,866,286)	(7,163,857)

20. Auditors' Remuneration

Audit Services

Auditors of the Company KPMG Australia			
- Audit of the annual financial report		51,000	48,600
- Review of half year financial statements		23,900	23,000

Other Services

Auditors of the Company KPMG Australia			
- Research grant audit		3,100	6,000
- Tax compliance services		-	1,200
- Migration services		-	3,226
		78,000	82,026

21. Financial Instruments

Credit Risk

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

		Consolidated	
	Note	(\$) 2010	(\$) 2009
Trade receivables	12	7,915	2,875
Accrued interest on bank term deposits	12	389,776	292,050
Cash on hand and at bank	11	22,686,174	30,200,685
		23,083,865	30,495,610

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

Impairment Losses

None of the Group's receivables are past due (2009: \$NIL) and no impairment losses have been recognised (2009: \$NIL).

The Group is in the development phase of its research and development programme. The Group'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 has no financial liabilities except for trade and other payables with a carrying value of \$2,464,010 (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: \$4.7M – maturity date 13 July 10, \$3.8M – maturity date 13 Sept 10, \$12.6M – maturity date 14 Oct 10 and \$1.1M – maturity date 11 Nov 10.

Currency risk

At 30 June 2010, there were no receivables denominated in foreign currencies, however there were amounts payable of USD \$27,479 (2009: \$11,636).

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 2009.

	Loss reduction (USD\$)
30 June 2010	2,860
30 June 2009	1,058

A 10% weakening of the Australian dollar would have increased the loss for the year and decreased equity by \$3,496 in 2010 (2009: \$1,293).

Interest Risk

Exposure to interest rate risks arises in the normal course of the Group'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 2010 was 4.87% (2009: 6.7%).

Fixed rate instruments

In respect of term deposits a 100 basis points increase in interest rates would have decreased the loss by \$279,602 (2009: \$313,575). A 100 basis points decrease in interest rates would have increased the loss by \$279,602 (2009: \$313,575).

Variable rate instruments

In respect of cash at bank a 100 basis points increase in interest rates would have decreased the loss by \$4,571 (2009: \$8,163). A 100 basis points decrease in interest rates would have increased the loss by \$4,571 (2009: \$8,163).

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 their fair value at 30 June 2009 and 30 June 2010.

Fair value hierarchy

No financial instruments are carried at fair value at 30 June 2010, however, as noted above the carrying amounts approximate fair value in respect of financial assets and liabilities

22. 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 field trial applications. The Group 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. The financial exposure from this arrangement is expected to be nil.

23. 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 2010 was based on a loss attributable to ordinary shareholders of \$6,118,978 (2009: \$11,276,023) and a weighted average number of ordinary shares of 79,375,582, calculated as follows:

	(\$) 2010	(\$) 2009
Loss attributable to ordinary shareholders		
Loss for the period after income tax	6,118,978	11,276,023
Weighted average number of shares used as a denominator		
Number for basic earnings per share		
Ordinary shares	79,375,582	78,159,869
Number for diluted earnings per share		
Ordinary shares	79,375,582	78,159,869
Instruments not included in diluted earnings per share due to anti-dilutionary effect		
	Number of shares	
	2010	2009
Converting notes	-	-
Share options	4,732,000	11,684,864
	4,732,000	11,684,864

24. 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

(Former CEO/Managing Director; resigned 1/07/2010, now Non-Executive Director)

Non-Executive Directors

Mr Steven M Skala

(Former Chairman resigned 21/07/2010 ongoing Non-Executive Director)

Mr GF Dan O'Brien

(Former Chairman resigned 2/10/2010)

Professor Jonathan West

Mr Hugh M Morgan

Professor Adrienne E Clarke

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	
	(\$) 2010	(\$) 2009
Short term employee benefits	1,200,373	1,398,208
Post employment benefits	165,353	217,871
Share based payments	266,793	220,286
	1,632,519	1,836,365

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:

2010	Held at 1 July 2009	Exercised	Expired 30 June 2010	Held at 30 June 2010	Vested 1 July 2010	Exercised 1 July 2010	Expired since year end	Vested and exercisable at reporting date
Directors								
Steven M Skala	1,057,768	154,737	903,031	-	-	-	-	-
Jonathan West	300,000	-	300,000	-	-	-	-	-
Hugh M Morgan	303,031	-	303,031	-	-	-	-	-
Adrienne E Clarke	1,096,971	-	1,096,971	-	-	-	-	-
GF Dan O'Brien	1,231,456	928,425	303,031	-	-	-	-	-
Joshua T Hofheimer	3,000,000	-	-	3,000,000	1,500,000	1,000,000	2,000,000	-
Executives								
Marilyn A Anderson	500,000	-	500,000	-	-	-	-	-
Robyn L Heath	500,000	-	500,000	-	-	-	-	-
Justine C Heath	20,000	-	-	20,000	-	-	-	20,000
	8,009,226	1,083,162	3,906,064	3,020,000	1,500,000	1,000,000	2,000,000	20,000

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 T 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 C Heath	-	20,000	-	20,000	20,000	20,000
	4,989,226	3,020,000	-	8,009,226	20,000	5,009,226

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:

2010	Held at 1 July 2009	Shares from converting notes	Shares issued under offer	Purchases	Received on exercise of options	Sales	Held at 30 June 2010
Directors							
Steven M Skala	4,012,730	-	-	-	154,737	-	4,167,467
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 ¹	4,844,768	-	-	26,807	928,425	800,000	5,000,000
Joshua T Hofheimer ²	50,000	-	-	-	-	-	50,000
Executives							
Marilyn A Anderson	2,381,935	-	-	-	-	-	2,381,935
Robyn L Heath	2,381,935	-	-	-	-	-	2,381,935
	27,155,492	-	-	26,807	1,083,162	800,000	27,465,461

¹ GF Dan O'Brien resigned as Director on 2 October 2009

² Joshua Hofheimer resigned as CEO and managing Director 1 July 2010 and continues as a non-executive Director.

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 T 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

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

Mr Joshua Hofheimer resigned as Chief Executive Officer and Managing Director, effective 1 July 2010. He continues to serve as a non-executive director. GF Dan O'Brien resigned as Director on 2 October 2009.

Key management personnel and directors' transactions

- Dr Heath was an employee of The University of Melbourne during the financial year ended 30 June 2010. During the course of the financial year ended 30 June 2010, amounts (including GST) totaling \$2,591,494 (2009: \$2,548,580) 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 2010 were \$1,088,944 (2009: \$454,233).
- Mr O'Brien is the sole director of Dromoland Capital Pty Limited. An amount (including GST) of \$27,752 (2009: \$171,889) was paid or provided to be paid to this entity during the financial year ended 30 June 2010 for the provision of Mr O'Brien's services as Chairman of the Company until 2 October 2009. These transactions were conducted on normal commercial terms.

- c) Professor Anderson is an employee of La Trobe University. During the course of the financial year ended 30 June 2010, amounts (including GST) totaling \$2,387,693 (2009: \$1,436,424) were paid or payable by Hexima to La Trobe University for research work carried out on behalf of the Group. These transactions were conducted on normal commercial terms. Trade accounts and/or accruals payable to La Trobe University at 30 June 2010 were \$1,389,211 (2009: \$1,432,199).
- 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 \$35,476 (2009: \$62,816) was paid to Arnold Bloch Leibler during the financial year ended 30 June 2010 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 2010 were \$NIL (2009: \$NIL).
- g) Mr Hofheimer was previously a partner of Sidley Austin LLP before joining Hexima in June 2008. An amount of \$27,054 (2009: \$128,317) was paid or payable to Sidley Austin during the year ended 30 June 2010 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 2010 were \$NIL (2009: \$2,467).

Related Party Transactions

During the year, the Company provided an interest free loan of \$2,241,850 to its subsidiary Hexima Holdings Pty Ltd. This loan is outstanding at 30 June 2010 in the Company's statement of financial position.

25. Capital Commitments

	Consolidated	
	(\$ 2010)	(\$ 2009)
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.

26. Operating Leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

Less than one year	89,699	95,442
Between one and five years	4,712	3,800
	94,411	99,242

The group leases office premises and a glass house under an operating lease. The lease is negotiated on an annual basis.

27. Group Entities

	Country of incorporation	Ownership Interest	
Parent Entity		2010	2009
Hexima Limited	Australia		
Significant subsidiaries			
Hexima Holdings Limited	Australia	100	100
Pharmagra Pty Ltd	Australia	100	100

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 2010.

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 \$2,204,485 at 30 June 2010, which comprises the Hexima glasshouse located at La Trobe University.

28. Parent Entity Disclosures

	Company	
	(\$ 2010)	(\$ 2009)
Result of the Parent Entity		
Loss for the period	(6,081,614)	(11,276,023)
Other Comprehensive income	-	-
Total Comprehensive income for the period	(6,081,614)	(11,276,023)

Financial Position of the Parent entity at year end

Current assets	23,171,982	30,534,550
Total assets	26,115,624	31,418,364
Current liabilities	2,631,153	2,580,869
Total liabilities	2,631,153	2,580,869

Total equity of the Parent entity comprising of:

Share capital	57,659,830	57,198,035
Reserves	885,768	618,975
(Accumulated losses)	(35,061,128)	(28,979,515)
Total Equity	23,484,470	28,837,495

29. Subsequent Event

There have been no events subsequent to balance date which would have a material effect on the Group's financial statements as at 30 June 2010, other than those changes in the leadership of the company, which have already been disclosed.

DIRECTORS' DECLARATION

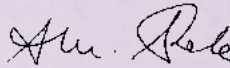
- I. In the opinion of the Directors of Hexima Limited ('the Company'):
 - (a) the financial statements and notes, and the Remuneration Report in the Directors' Report, set out on pages 14 to 40, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2010 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) 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 Financial Officer/ Chief Operating Officer for the financial year ended 30 June 2010.
3. The Directors draw attention to Note 2(a) to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Dated at Melbourne 27th day of August 2010.



Mr Ross Dobinson
Director



Mr Steven M Skala AO
Director





Independent auditor's report to the members of Hexima Limited

Report on the financial report

We have audited the accompanying financial report of the Group comprising Hexima Limited ("the Company") and the entities it controlled at the year's end or from time to time during the financial year, which comprises the consolidated statement of financial position as at 30 June 2010, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 29 and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal 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 Group's financial position and of its performance.

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

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.



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 the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(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 12 to 16 of the directors' report for the year ended 30 June 2010. 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 2010, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Ralph Ferguson
Partner

Melbourne

27 August 2010



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 2010 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

A handwritten signature in black ink, appearing to read 'R. Ferguson', written over the printed name.

Ralph Ferguson
Partner

Melbourne

27 August 2010

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

SHAREHOLDER INFORMATION

Shareholder information set out below was applicable as at 5 October 2010

1. Distribution of Equity Securities

Range	No of Holders	Ordinary Shares	%
1 to 1,000	37	28,207	0.03
1,001 to 5,000	218	707,352	0.87
5,001 to 10,000	146	1,240,693	1.53
10,001 to 100,000	306	10,364,992	12.79
100,001 and Over	72	68,718,226	84.78
Total	779	81,059,470	100.00

There were 63 holders of less than a marketable parcel of shares

2. Twenty largest equity security holders

Name	Number Held	%
1 Balmoral Australia Pty Ltd <Other Equity A/C>	6,102,180	7.53%
2 Hugh Morgan	5,954,503	7.35%
3 Clianthy Pty Ltd <Clanthy Super Fund A/C>	4,213,510	5.20%
4 Pioneer Hi-Bred International Inc.	4,000,000	4.93%
5 Adrienne Clarke	3,894,922	4.81%
6 Beta Gamma Pty Ltd <Walsh Street Super Fund A/C>	3,885,484	4.79%
7 Dato Lim Sen Yap	2,950,000	3.64%
8 Huysmans Pty Ltd	2,932,513	3.62%
9 Mr Geoffrey Frederick O'Brien <The Woobinda Family Trust>	2,597,518	3.20%
10 Copplemere Pty Ltd <ATF Skala Media Trust>	2,469,093	3.05%
11 Mr Geoffrey Frederick O'Brien & Mrs Patrice Anne O'Brien <GF & PA O'Brien S/F A/C>	2,402,482	2.96%
12 Robyn Heath	2,381,935	2.94%
13 Marilyn Anderson	2,381,935	2.94%
14 Mr Jonathan West & Mrs Susan West <J & S West Super Fund A/C>	2,000,000	2.47%
15 Gowing Bros Ltd	1,600,000	1.97%
16 AEC Super Pty Ltd	1,522,997	1.88%
17 Joshua Custodians Pty Ltd <Steven Skala Super>	1,314,191	1.62%
18 Gowing Bros Limited	1,268,898	1.57%
19 Casey Manor Pty Ltd	1,116,080	1.38%
20 Mr Joshua Thomas Hofheimer	1,050,000	1.30%
Total	56,913,241	70.21%
Balance Of Register	24,146,229	29.79%
Grand Total	81,059,470	100.00%

3. Unquoted equity securities

	Number on issue	Number of holders
Options issued	1,732,000	21

4. Substantial Shareholders

Name	Number Held	%
Hugh Morgan	6,454,503	7.96%
Robert Oatley	6,102,180	7.53%
Adrienne Clarke	5,417,919	6.68%
Geoffrey Frederick O'Brien	5,000,000	6.17%
Clanthy Pty Ltd	4,213,510	5.20%
Steven Skala	4,167,467	5.14%

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 Ross Dobinson
Executive Chairman

Professor Adrienne E Clarke AC
Non-Executive Deputy Chairman

Mr Steven M Skala AO
Non-Executive Director

Mr Joshua T Hofheimer
Non-Executive Director

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

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