

HEXIMA LIMITED
ACN 079 319 314
EXPLANATORY MEMORANDUM

1 General

This Explanatory Memorandum contains information relevant to the resolution set out in the Notice dated 6th May 2011 which it accompanies and should be read carefully by Shareholders prior to the General Meeting.

The Notice relates to the meeting to be held at the offices of Arnold Bloch Leibler, Level 21, 333 Collins Street, Melbourne Victoria 3000 on Thursday, 9th June 2011 at 10.00am for the purpose of approving the removal of the Company from the Official List of the ASX on Friday 17th June 2011 ("**Proposed Delisting**").

2 Background

- (a) The Company discussed its intention to delist from the ASX at its Annual General Meeting in November 2010 and the support for the proposed delisting was overwhelmingly positive. The Company has also discussed the proposed delisting with major shareholders. Shareholders holding a majority of shares have indicated their support for the Proposed Delisting.
- (b) The ASX has informed the Company that, although it is not a formal requirement of the Listing Rules, in order for the Proposed Delisting to proceed, the Company must hold a general meeting so that Shareholders can resolve, by ordinary resolution, for it to delist.
- (c) The ASX has informed the Company that the removal of the Company from the Official List cannot take place any earlier than the close of trading on the fifth business day after the date on which the resolution approving the removal is passed (not including that date).
- (d) The Board unanimously considers that the Proposed Delisting would be highly beneficial for the Company and for all of its Shareholders and recommends that Shareholders approve the Proposed Delisting.

3 Reasons why the Company should be removed from the official list of the ASX

The Directors unanimously consider that being listed on the ASX is incompatible with Shareholders' interests for the following reasons:

- (a) the Company has traded between \$0.175 and \$0.53 over the past year (after listing on the ASX at \$1.25 in August 2007) despite it having made both commercial and technical progress on its lead programs;
- (b) trading volumes have been low and the Board considers that consequently the Company is being 'priced' on what are marginal trades; and
- (c) the implied market capitalisation of the Company impairs the Company's ability to derive value from its technologies in negotiations with commercial partners.

The Board has concluded that the Company should not remain listed on the ASX as the Company is a small, illiquid stock with long commercial development time frames and irregular news flows.

4 Unanimous recommendation of the Directors

The Directors have considered all the relevant information relating to the proposed resolution and unanimously recommend that you vote in favour of the resolution.

GLOSSARY OF TERMS

ASX	means ASX Limited ACN 008 624 691.
Board	means the board of directors of the Company .
Company	means Hexima Limited ACN 079 319 314.
Corporations Act	means the Corporations Act 2001 (Cth).
Listing Rules	means the rules of the ASX, as applicable to the Company, from time to time.
Notice	means the Notice of General Meeting which this Explanatory Memorandum accompanies.
Proposed Delisting	has the meaning given to that term in paragraph 1 of this Explanatory Memorandum.
Shareholder	means a holder of a fully paid ordinary share in the Company.