



Chairman's Letter

Dear Shareholders,

Since Hexima delisted from the ASX in June 2011, the Company has focussed its efforts on expanding the Company's commercial agreements for applications of our anti-fungal disease technology, which has shown initial success in field trials of commercial crops over multiple seasons.

Soybeans

The 2008 collaboration and commercialisation agreement between Hexima and DuPont/Pioneer established an exclusive relationship for corn and soybeans, with a series of milestones provided for corn. Recent discussions with DuPont/Pioneer have resulted in Hexima entering into a new development program for disease resistance in soy, with a series of milestones (independent of the corn program's milestones). There has been no change in the royalty rates receivable by Hexima if either or both development programs are successful. This represents a significant step forward in the commercial relationship with DuPont/Pioneer and we are very pleased to have the two programs running concurrently. Finalisation of the soy agreement reflects both the progress of the anti-fungal disease program in corn and the early results achieved in soybeans. Hexima provided an initial library of anti-fungal molecules to DuPont/Pioneer to test in soybeans and the initial results of this work are promising. Work on soybeans is being undertaken by DuPont/Pioneer in the United States.

Wheat

Hexima is currently finalising an agreement to commercialise the technology with a major agribusiness in wheat. Fungal disease is a major source of yield losses of major food crops in every continent and causes significant losses for wheat growers. Although genetic modification (GM) is relatively novel in wheat, it is the leading crop globally and it is essential that Hexima gains early access with a leading company in introducing GM technology.

Corn anti-fungal disease technology enters full plant testing phase

The initial target of the Company's anti-fungal disease program was broad-spectrum fungal disease resistance in corn, which has been developed in collaboration with DuPont/Pioneer. The corn program is being undertaken in Australia with glasshouse testing taking place in the Company's facilities at La Trobe's R&D Park. The program is progressing as planned:

- a) A library of proprietary anti-fungal proteins has been developed.
- b) An effective corn transformation program has been established and GM corn plants are being grown which express a range of anti-fungal proteins. Transformation (or production) efficiency rates compare favourably with those achieved by our commercial partner in their US facilities.
- c) The glasshouse program has entered the disease testing phase, with bioassays performed on corn plants against targeted fungal diseases.

Corn and soybeans are currently the two lead GM crops and together account for more than 80% of the area planted to GM crops globally. Fungal pathogens cause extensive damage and this problem is growing as intensive farming techniques and reduced crop rotations encourage fungal growth. Fungal disease is estimated to cause yield losses in corn costing approximately US\$8 billion annually in the US alone.



Additional technology platforms

The Company is making progress with discussions for a second commercial licence of its Multi-Gene Expression Vehicle ('MGEV') technology platform. The Company is also leveraging its field trial and regulatory expertise by assisting a global partner in deregulating a new canola trait in Australia.

R&D tax credit program extends Hexima's cash

The introduction of the Federal Government's R&D tax credit legislation, effective from 1 July 2011, is of significant benefit to the Company. The program allows Hexima to claim 45 per cent of all R&D expenditure as a tax credit in cash. This will assist in preserving the Company's cash reserves to fund the continued development of our technology and to deliver value to shareholders.

Co-location of Research Activities

The Company has reached agreement with La Trobe University to merge the Company's research teams at La Trobe University. The Company has previously conducted its research and development activities at both Melbourne University and La Trobe. While there have been benefits to operating at the two campuses, there are significant synergies to be derived from merging the two teams, and the Company can also realise significant savings through co-location. The Company has been in negotiations to achieve this outcome for some time and we are pleased to confirm that the move will be completed in 2012.

Yours sincerely,

Ross Dobinson
Chairman



FINANCIAL REVIEW

STATEMENT OF COMPREHENSIVE INCOME

	2011	2010
Revenue	727,104	1,135,422
Research & development expenses	(5,279,004)	(4,438,417)
Patent and legal expenses	(370,564)	(418,141)
Management, administration and compliance expenses	(1,723,850)	(2,955,427)
Marketing & business development expenses	(594,365)	(478,681)
Depreciation expense	(239,115)	(135,291)
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	(8,206,898)	(8,425,957)
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Results from operating activities	(7,479,794)	(7,290,535)
Financial income	1,144,476	1,171,557
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Net financing income/(expenses)	1,144,476	1,171,557
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Loss before income tax	(6,335,318)	(6,118,978)
Income tax expense	-	-
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Loss for the period	(6,335,318)	(6,118,978)
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The Group recorded a loss after tax of \$6.335 million for the year ended 30 June 2011, compared with a loss after tax of \$6.119 million for the previous year.

Income of \$727,000 was lower than the previous year's result of \$1.135 million due to the previous year including deferred income of \$600,000 from Balmoral Australia relating to a 2007 agreement to fund the Company's human applications program.

A decrease in total expenses largely offset this decline despite a considerable acceleration of the Company's technology development due largely to cost control and staffing changes in the Company's corporate office.

Net finance income for the Group for the financial year ended 30 June 2011 was \$1.144 million, compared with \$1.172 million in 2010, reflecting lower cash balances as cash was utilised in the current reporting period.

No dividends were paid for the year ended 30 June 2011.



STATEMENT OF CASH FLOWS

	2011	2010
Cash flows from operating activities		
Cash receipts from government grants & collaboration agreements	727,104	535,422
Cash paid to suppliers and employees	(9,182,113)	(7,401,708)
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Net cash (used in) operating activities	(8,455,009)	(6,866,286)
Cash flows from investing activities		
Interest received	1,289,743	1,073,831
Payments for plant and equipment	(205,937)	(2,183,851)
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Net cash (used in) investing activities	1,083,806	(1,110,020)
Cash flows from financing activities		
Proceeds from exercise of share options	-	461,795
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Net cash from financing activities	-	461,795
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Net (decrease)/ increase in cash and cash equivalents	(7,371,203)	(7,514,511)
Cash and cash equivalents at 1 July	22,686,174	30,200,685
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Cash and cash equivalents at 30 June	15,314,971	22,686,174
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Hexima had net cash outflows from operating activities of \$8.5 million for the year ended 30 June 2011 compared with \$6.9 million for the prior period. This variance is a timing issue and relates directly to prior period accruals paid in the current reporting period. Actual expenses decreased slightly for the year.

Hexima also reduced spending on plant and equipment in the current year as the glasshouse and tissue culture facility to house the Company's corn transformation program was completed in 2010.

At 30 June 2011, Hexima had \$ 15.3 million in cash. The R&D tax credit program and new commercial initiatives provide a solid base for the Company's development activities.

A copy of the Company's full Annual Financial Report for the year ended 30 June 2011 is available at www.hexima.com.au.



Hexima Limited Corporate Directory

ABN 64 079 319 314

Directors

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Executive Chairman

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Non-Executive Director

Mr Hugh M Morgan AC
Non-Executive Director

Professor Jonathan West
Non-Executive Director

Professor Marilyn A Anderson
Executive Director, Chief Science Officer

Company Secretary

Ms Justine C Heath

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For information regarding trading of Hexima shares please contact the Company Secretary at the Registered Office on +61 3 8610 0555.