COMMERCIAL PATH TO MARKET

Hexima is pleased to report progress according to plan during the first half of the 2008–09 financial year. The Company continues to achieve milestones across its key value drivers:

- Technological progress;
- Commercial path to market; and
- Operational milestones

Hexima achieved technological, commercial and operational progress in its major technologies: fungal disease and insect resistance traits and its Multi-Gene Expression Vehicle. The Company is now working in cotton, corn and canola, three of the four globally important biotech crops and has an established path to market for a major technology, fungal disease resistance.

TECHNOLOGICAL PROGRESS

Hexima commences corn transformation project

In the first six months of the 2008–09 year, Hexima continued to advance its portfolio of technologies. Hexima's collaboration with DuPont's agricultural business, Pioneer Hi-Bred International, Inc., has set the framework for applying the Company's fungal resistance technology to corn, the most important global transgenic crop. The technology has already been demonstrated in cotton. The goal is to create corn resistant to the fungal pathogens which cause significant yield losses.

As part of the collaborative agreement with DuPont, Hexima is establishing a capability for corn transformation. This has been facilitated by DuPont scientists who in October 2008 hosted Hexima scientists to learn the technology side by side using DuPont's proprietary tools. With the addition of corn, Hexima will be able to transform three of the four major global crops, being corn, cotton and canola.

Senior Vice President of Research and Discovery, Professor Marilyn Anderson, who leads the DuPont collaboration, said, 'We are very encouraged by our early success with the defensin technology, and look forward to advancing the program with DuPont in corn as efficiently as possible. The DuPont relationship is proving to be a very effective collaboration.'

'We have acquired significant enabling technologies and transformation expertise founded on years of research by one of the global leaders in agribusiness. This has accelerated our progress with this technology and has opened a range of development avenues for us in corn and other crops.'

Joshua Hofheimer, Hexima Chief Executive Officer added, 'As a result of our collaboration with DuPont, Hexima will be, to our knowledge, the only Australian group with corn transformation capability. Corn is the most valuable crop for seed producers globally.'

As part of the collaboration, Hexima controls the commercialisation of the defensin technology in crops other than corn and soy, and currently has development programs for fungal resistant cotton and canola.

Resistance to the two fungal diseases of cotton, fusarium wilt and verticillium wilt have now been demonstrated in field tests over several years of different environmental conditions such as rainfall and temperature. The trait is currently being crossed into cotton varieties, which have some natural resistance to these diseases, under an agreement with CSIRO.

Transgenic canola plants expressing the defensin gene have been produced and are being assessed for their resistance to blackleg and sclerotinia, the two major fungal diseases of canola.

(continued page 2)

Owen McCorkelle, a member of Hexima's product development group, selecting plantlets to test for transformation.

TECHNOLOGICAL PROGRESS *(continued from page 1)*

Hexima moves towards licensing of the Multi-Gene Expression Vehicle

Hexima has demonstrated the utility of this technology for production of several different novel proteins in crops. The technology has several potential applications and the Company is in discussions with a number of parties regarding licensing this technology.

The main application for this technology will be in combining traits to deliver more sustainable disease and insect management. There are other applications, such as the production of valuable proteins with pharmaceutical or agricultural applications.

Research continues on second generation of insect resistance technology

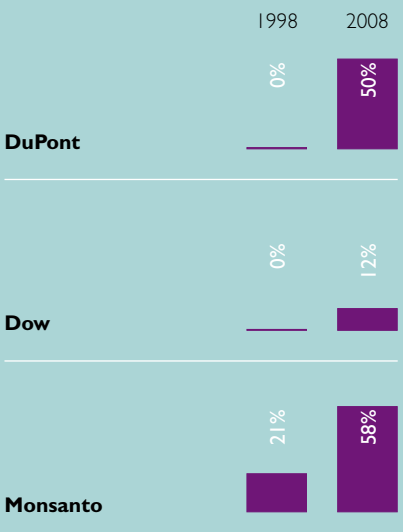
During the period, Hexima's Insect Resistance team continued research on its second generation of Proteinase Inhibitor (PI) technology. First generation plants had enhanced insect resistance in field tests of transgenic cotton.

'The use of the MGEV and other technical advances are proving to be useful in improving the efficacy and spectrum of insects controlled. Discoveries from both the lab and field testing phases have led to modifications that we feel will result in a more effective product for farmers,' said Dr Robyn Heath, Senior Vice President Product Development.

WHY ARE GLOBAL CHEMICAL COMPANIES INTERESTED IN SEED TECHNOLOGY?

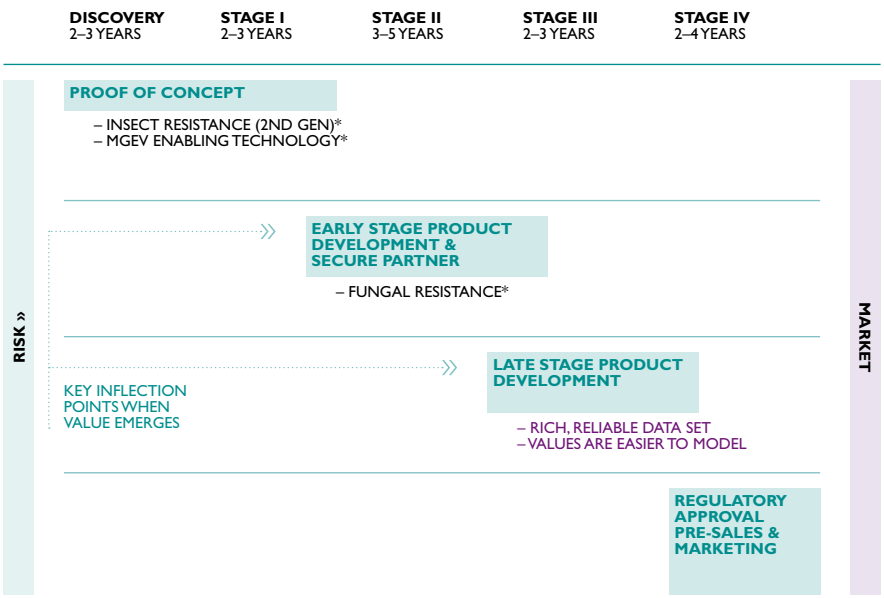
Over the past ten years the major agri-chemical businesses have invested heavily in seed and biotechnology businesses. Monsanto reported 60% profit margins in the seed and trait business for 2008. Higher growth and margins can be achieved from this step change in agriculture. Therefore the major agribusinesses compete to control technologies which drive market share and profit margins. Growth is dependent on access to innovative technology, much of which is sourced from independent technology providers, such as Hexima.

% Seed/biotech sales in ag business



(Refer company websites)

COMMERCIAL PATH TO MARKET



* INDICATES STAGE OF TECHNOLOGY NOT RELEVANT POSITION WITHIN STAGE

The development and commercialisation agreement for the Company's anti-fungal defensin technology, sealed with DuPont in August 2008, is a major achievement for the Company. Although the Company has conducted programs with several major players, the DuPont agreement is the most significant contract for the Company to date. The agreement recognises the value of the technology and sets out the terms for advancing the product to the market upon the achievement of specific scientific criteria.

Joshua Hofheimer explains, 'The DuPont agreement is fundamental to Hexima's growth over the coming years. This agreement has provided Hexima with access to DuPont's own important research and intellectual property in this area and we are encouraged by the progress made towards program milestones. As we move through the development stages by achieving milestones and reducing the technical risks, the value of the product to farmers will become quantifiable. Irrespective of pricing decisions many years down the track, Hexima's return will depend on the value to farmers.'

OPERATIONAL MILESTONES

In addition to the strides made in both proof of concept and commercialisation, Hexima is investing in the technical infrastructure it will require to maintain its fast pace of development. This includes new growth room facilities and a new quarantine glasshouse commissioned in late 2008, as well as a new 1,000m^2 PC2 glasshouse, incorporating growth room and tissue culture facilities, due for completion in late calendar year 2009. During the period Hexima also commissioned a robotic platform for rapid screening of new anti-fungal molecules. This will greatly improve efficiency of the team in achieving key milestones in the DuPont collaboration. The Company continues to strengthen and grow its intellectual property portfolio which comprises over 80 issued and pending patents.

Site of new Hexima glasshouse to be constructed adjacent to Florigene's existing glasshouse.

FINANCIAL PERFORMANCE

As at 31 December 2008, Hexima had approximately $33 million in cash (and interest receivable), which equates to three to four years of funding for current projects.

Hexima is a develoment stage company with a number of technologies at different points in the research and development process. Net cash usage for the six months was $3.734 million compared with $3.136 million (excluding financing activities) in the prior corresponding period.

The Company recorded a loss of $8.512 million for the six months ended 31 December 2008 (including a $6.0 million non-cash research and development expense, discussed below), compared with a loss of $1.524 million for the previous corresponding period.

Excluding net finance expense and income tax expense, the loss from operating activities for the six months was $9.849 million, compared with $2.580 million for the previous corresponding period. Revenue was largely unchanged at $0.408 million for the six months compared with $0.461 million for the previous corresponding period.

This result reflects Hexima's increased expenditure as the Company expands its activities in researching, developing and commercialising its technologies, as well as the expenses of the expanded administrative capacity established following the Company's Initial Public Offering in August 2007.

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

Net finance income for the six months ended 31 December 2008 was $1.336 million compared with $1.055 million for the previous corresponding period, reflecting both higher interest rates and the funds from the Initial Public Offering earning interest for the entire period, offset in part by the drawdown of funds to meet expenditure.

Hexima is continuing with its planned research and development programs using its financial resources as forecast. Notwithstanding the downturn in many industries, we believe food security and agricultural productivity will continue to be a global priority.

FREQUENTLY ASKED QUESTIONS

How long will Hexima's funds last?
Hexima has cash reserves to fund operations for three to four years. This is in line with announcements at the time of the IPO.

What are the next steps for Hexima's fungal technology program with DuPont?
We expect to have state-of-the-art corn transformation working within 12 months. This will open many opportunities for Hexima. Testing of the first transgenic corn plants will commence in 2009. From 2010, the best plants will be selected and sent to the United States for field testing and late-stage development by DuPont. Much of the technical risk will be eliminated by this stage: future cash flow will be quantifiable and the value of the technology will be transparent. This timeline is set out in the 'timetable to market' diagram.

What types of events or announcements over the next couple of years are likely to increase the value of the company?
We view three key drivers of value for the business as:

1 Technological progress
– Completion of first full corn transformation
– Advancements in other crops
2 Commercial path to market
– Achievement of DuPont Program milestones
– Announcement of commercial deals for MGEV and PIs
3 Operational milestones
– Completion and commissioning of the new glasshouse
– Continued expansion of patent portfolio

Where will demand for PIs come from?
Insect resistance is one of the Company's key technologies. Our science team continues to make important progress, with the second generation of the technology now in development.

GM insect resistance is currently available in several key crops, and these products are derived from the bacterium *Bacillus thuringensis* (Bt) technology. Hexima's PI technology will complement the Bt technology in two key ways. Firstly, Hexima's second generation insect resistance product may provide protection against a wider range of insects. Secondly, emerging resistance to Bt products, and the subsequent loss of the associated environmental benefits, would see a rapid increase in the demand for products with an alternate mode of action such as PIs.

HOW DO WE TRANSFORM COTTON PLANTS?

Step 1
Grow cotton seedlings.

Step 2
Insert new gene into the cells of cut stem (hypocotyl) by infecting with a common soil bacteria.

Step 3
Callus and then embryos develop.

Step 4
Embryos develop shoots and roots.

Step 5
Plantlet that may contain the new gene. Tissue is tested to identify successful transformants.

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 place undue reliance on such forward looking statements.

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