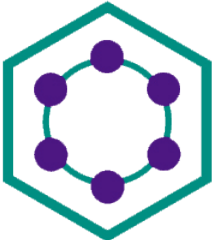


Board Charter



H E X I M A

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1 Board of Directors

1.1 Chairman – Mr Steven M Skala, BA, LLB (Hons) (University of Qld), BCL (Oxon)

Mr Skala is Vice Chairman, Australia and New Zealand of Deutsche Bank AG. He is a former commercial lawyer with more than 20 years experience in commercial law. Between 1982 and 1985, he was a partner of law firm Morris Fletcher and Cross (now Minter Ellison). 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.

He is also Chairman of Media and Gaming Pty Limited and is a director of the Australian Broadcasting Corporation, Deutsche Australia Limited, Max Capital Group Limited, Wilson HTM Investment Group Limited, The Australian Ballet and The Centre for Independent Studies. He is a former Chairman of Film Australia Limited

1.2 Chief Executive Officer/Managing Director – Mr Joshua T Hofheimer AB (DARTMOUTH COLLEGE), JD (HARVARD LAW SCHOOL)

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

Mr Hofheimer's previous role was Partner at Sidley Austin LLP, a Los Angeles based international law firm. In his 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.

1.3 Deputy Chairman – Professor Adrienne E Clarke AC, FAA, FTSE, BSc (Hons), PhD (University of Melbourne)

Professor Clarke is Laureate Professor at The University of Melbourne. She holds a Personal Chair at the School of Botany (awarded in 1982), is past Director of the Plant Cell Biology Research Centre, The University of Melbourne (1982-1999), former Chairman of CSIRO (1991-96), former Lieutenant Governor of Victoria (1997-2000) and former Ambassador for Biotechnology for Victoria (2001-2003). She was made an Officer of the Order of Australia in 1991 and a Companion of the Order of Australia in 2004.

Professor Clarke was President, International Society for Plant Molecular Biology (1997-98). She is a Foreign Member, American Academy of Arts and Science; Foreign Associate, National Academy of Sciences, USA; Companion, The Institute of Engineers, Australia; Fellow, Australian Academy of Science; and Fellow Australian Academy of Technological Sciences and Engineering. She was awarded the ANZAAS Mueller Medal in 1992, an Outstanding Achievers Award, National Australia Day Council in 1993, and the President's Medal from the Australian and New Zealand Society for Cellular and Developmental Biology (2004).

Her service to Government in Australia since the early 1990's has been through membership of: the Trade Policy Advisory Council, Victorian Endowment for Science,

Knowledge and Innovation (Chair), Victorian Science, Engineering and Technology Taskforce (Co-chair), Prime Minister's Supermarket to Asia Council, Prime Minister's Science and Engineering Council, Committee for Melbourne, Victorian Business Round Table, Agri-Food Council, Department of Industry, Trade and Regional Development. She has held various Board positions, including: Alcoa of Australia Ltd (1993-96), Woolworths Ltd (1994-2007), AMP Ltd (1994-1999), WMC Ltd (1996-2002), AMRAD Ltd (1998-2001), WMC Resources Ltd (2002-2005), and Fisher & Paykel Healthcare Ltd (2002- 2008).

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

In 2005, Professor West returned to his home island of Tasmania, after 18 years at Harvard University. At Harvard, Professor West was Associate Professor in the Graduate School of Business Administration, where he taught in the fields of innovation, operations, and business strategy. His research aims to understand the roots of comparative national performance innovation systems, particularly in the fields of agribusiness, the life sciences, and biotechnology.

Professor West has served as a consultant and board member to major corporations and several governments around the world, particularly in the fields of agribusiness and life sciences. His doctorate and masters degrees are from Harvard University, and he holds a Bachelor of Arts majoring in the history and philosophy of science from the University of Sydney. His research has appeared in many scholarly journals and several books.

1.5 Director – Mr Hugh M Morgan, AC LLB, BCOMM (THE UNIVERSITY OF MELBOURNE)

Mr 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.

For details on the responsibilities and duties of the Board, refer to section 4.

2 Board committees

2.1 Audit committee

Hugh Morgan as Chairman, Adrienne Clarke, Steven Skala and Jonathan West

2.2 Nomination committee

Steven Skala as Chairman, Adrienne Clarke, Hugh Morgan and Jonathan West.

2.3 Remuneration committee

Jonathan West as Chairman, Adrienne Clarke, Steven Skala and Hugh Morgan

All other Directors are entitled to attend any meeting of these Board Committees.

2.4 Communications committee

Compliance Officer, the Chairman, or in his/her absence, the Deputy Chairman

For details on the responsibilities and duties of each Board Committee, refer to sections 8 to 11.

3 Corporate directory

3.1 Registered office

Level 5, 114 William St

Melbourne Vic 3000

Facsimile: (03) 8629 2990

Telephone: (03) 8629 2999

3.2 Share register

Hexima operates an electronic issuer-sponsored subregister and an electronic CHESSE subregister. The two subregisters together comprise Hexima's principal Share register.

3.3 Lawyers and advisers

Arnold Bloch Leibler

Level 21

333 Collins Street

Melbourne Victoria 3000

3.4 Auditors

KPMG

147 Collins Street

Melbourne VIC 3000

4 Corporate governance

4.1 Responsibilities of the board

The Directors are responsible for protecting the rights and interests of the Company, its shareholders and other stakeholders, including creditors and employees, and are accountable to them for the overall management of the Company.

The Board's responsibilities include:

- (a) protecting and enhancing the value of the assets of the Company;
- (b) setting strategies, directions and monitoring and reviewing against these strategic objectives;
- (c) reviewing and ratifying internal controls, codes of conduct and legal compliance;
- (d) reviewing the Company's accounts;
- (e) approval and review of the one year operating budget and five year strategic plan for the Company;
- (f) evaluating performance and determining the remuneration of the Managing Director and Senior Management;

- (g) ensuring the significant risks facing the Company have been identified and adequate control monitoring and reporting mechanisms are in place;
- (h) approval of transactions relating to acquisitions, divestments and capital expenditure above delegated authority limits;
- (i) approval of financial and dividend policy (refer to section 5); and
- (j) appointment of the Managing Director.

To assist in the execution of the above responsibilities, the Board has in place three Board Committees comprising an Audit Committee, Nomination Committee and Remuneration Committee.

4.2 Structure of the board

- (a) The number of Directors must not be less than 3 (refer to clause 22.1 of the Company's Constitution). There are presently 6 Directors of the Company.
- (b) With the exception of the Managing Director, a Director may not hold office for more than three years or beyond the third annual general meeting following his appointment (whichever is the longer period) without submitting himself for re election (refer to clause 24.1(a) of the Constitution).
- (c) The Board should at all times comprise a majority of independent Directors, to ensure that the Company is run in its own best interests and, accordingly, in the best interests of shareholders.

In assessing the independence of Directors, the Board will apply the definitions contained in box 2.1 of the guidelines issued by the ASX Corporate Governance Council, *'Principles of Good Corporate Governance and Best Practice Recommendations'*.

- (d) The composition of, and terms of reference for, the Board is to be reviewed annually by the Board and the Chairman is to assess the effectiveness of the Board.

4.3 Appointment, retirement and rotation

- (a) The retirement, rotation and appointment of Directors is covered by clauses 24 and 25 of the Company's Constitution, namely:

- (i) **Clause 24.1(a) - Retirement of Directors**

A Director, other than a Managing Director, shall not hold office for more than three years or beyond the third annual general meeting following his appointment (whichever is the longer period) without submitting himself for re-election.

- (ii) **Clause 24.1(f) - Appointment by Company**

The Company may, at a meeting at which the Directors retire by rotation, fill all or any of the vacant places by electing persons thereto and may fill up any other vacancy.

- (iii) **Clause 25.4 - Appointment by Board**

The Directors shall have power, at any time and from time to time, to appoint any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors but so that the total number of Directors shall not at any time exceed the number (if any) fixed in accordance with the Constitution. A Director so appointed shall hold office until the next annual meeting and shall then be eligible for re-election.

- (b) Notwithstanding the provisions set out in section 4.3(a) above, the Board has made a policy decision that any Director having served as a non executive

director for a continuous period of 10 years should only seek re-election for one further year and then voluntarily retire before the date scheduled for any subsequent re-election of directors. Any variation to this policy of the Board would involve exceptional circumstances and would require the unanimous support of the Board.

- (c) The appointment of any new Director will be made by, and in accordance with, a formal letter of appointment setting out the key terms and conditions relative to that appointment.
- (d) The Nomination Committee of the Board shall make an initial assessment of the necessary and desirable competencies for any new Director.
- (e) Where appropriate, the Nomination Committee will engage the services of an external consultant to search for appropriate candidates for directorship.
- (f) In considering a candidate for directorship, the Nomination Committee shall review, amongst other things:
 - (i) the necessary time a new Director will be required to provide to the Company;
 - (ii) details of other commitments of the candidates; and
 - (iii) the biographical details including competencies and qualifications of the candidate.
- (g) The Nomination Committee will review potential candidates for directorship and make a recommendation to the Board.
- (h) A candidate will be interviewed by the Managing Director and the Chairman.
- (i) The Board will ensure that any new Director is appropriately introduced to the Company and amongst other things, will provide to any new Director:
 - (i) a copy of the Company's constitution;
 - (ii) a copy of this Board Charter;
 - (iii) the most recent Annual Report of the Company;
 - (iv) a draft of the Deed of Indemnity given by the Company to a Director;
 - (v) where appropriate, a summary of the most recent strategic plan of the Company.
- (j) The Board will also ensure that any new Director is acquainted with:
 - (i) knowledge of the industry within which the Company operates;
 - (ii) visits to specific Company operations when appropriate;
 - (iii) briefings with key executives and industry experts where appropriate.
- (k) Although Directors are elected by the shareholders to bring special expertise or perspective to Board deliberations, the best interests of the Company will be paramount at all times.

4.4 Remuneration

- (a) The fees payable to non executive Directors are determined by the Board within the aggregate amount approved by shareholders.
- (b) At the Board's 5 June 2007 meeting, the Board approved an aggregate amount of \$500,000.
- (c) The fees currently determined by Directors are:

| | |
|-----------|---------------------|
| Chairman: | \$110,000 per annum |
|-----------|---------------------|

Director: \$55,000 per annum

* Members of Board Committees receive one membership fee only.

4.5 Directors' retirement benefit

During Directors' tenure as Directors of the Company, the Company will make superannuation guarantee payments on behalf of Directors at the rate prescribed by, and in accordance with, the provisions of the superannuation guarantee legislation from time to time.

4.6 Independent counsel

An individual Director may engage separate independent counsel or advisors at the expense of the Company in appropriate circumstances, with the approval of the Chairman or by resolution of the Board.

4.7 Board meetings

(a) **Agenda**

The Chairman, with the assistance of the Managing Director, establishes the agenda for each Board Meeting. Each Director is able to suggest the inclusion of items on the agenda.

(b) **Notice**

At least 5 days notice of Board Meetings will be given and material on the items to be considered at each Board Meeting will be provided at least 5 days in advance of the Board Meeting.

(c) **Number of Meetings**

The Board normally meets 5-10 times a year for a full day. Telephone conferences are held if required.

(d) **Attendance by Senior Management**

Senior Management may attend Board Meetings by invitation.

(e) **'in camera' Meetings**

The Board may meet periodically on an 'in camera' basis without the Managing Director or Senior Management present.

4.8 Directors' obligations

(a) Directors must:

- (i) act in the best interests of the Company;
- (ii) at all times act honestly in the exercise of his or her powers and the discharge of the duties of his or her office;
- (iii) exercise the degree of care and diligence that a reasonable person in a like position in a corporation would exercise in the Company's circumstances (refer to section 4.8(b));
- (iv) ensure that at all times they have a good understanding of strategies and the businesses conducted by the Company;
- (v) carefully study Board materials and issues;
- (vi) be active, objective and constructive in their participation at meetings of the Board and Board Committees;
- (vii) assist in representing the Company to the public;

- (viii) counsel on corporate issues;
 - (ix) ensure that they have a good understanding of general economic trends and corporate governance; and
 - (x) minimise the possibility of conflict of interest in their involvement with the Company by restricting their involvement in other similar businesses.
- (b) A Director will be deemed to have met the requirement of care and diligence, as set out in section 4.8(a)(iii), if:
- (i) the judgement was made in good faith and for proper purpose;
 - (ii) the Director does not have a material personal interest in the subject matter of the judgement;
 - (iii) the Director informed himself/herself about the subject matter of the judgement to the extent he/she reasonably believes to be appropriate; and
 - (iv) the Director rationally believes that the judgement is in the best interests of the Company.

5 Dividend policy

- 5.1 The Company's dividend policy will be based primarily on the earnings, cash flow and business requirements of the Company.
- 5.2 Notwithstanding this general policy statement, the Board has a discretion to change its payout percentage to reflect its perception of the cash requirements of the business of the Company and in the best interests of shareholders.

6 Conflicts of interest

6.1 Company's acknowledgments

- (a) Some of its Directors (in this section referred to as the "**Common Director**") may, from time to time, hold directorships in other companies (in this section referred to as "**the Other Company**").
- (b) Any information confidential to the Other Company which a Common Director possesses and which came into his or her possession in the course of the performance of his or her duties as an officer of the Other Company cannot and shall not be communicated to the Company or any officer or employee of the Company without the consent of the Other Company.
- (c) Any information which a Common Director possesses in relation to the Other Company which is not generally available but, if the information were generally available, a reasonable person would expect it to have a material effect on the price or value of securities of the Other Company cannot and shall not be communicated to the Company or any officer or employee of the Company.

6.2 Meetings at which conflicts arise

- (a) Where at any meeting of the Company it is proposed to discuss any matter which gives rise or may give rise to a conflict or a real sensible possibility of a conflict of interest between the duties and obligations of the Common Director to the Company and to the Other Company, the Common Director:
 - (i) must not be present while that matter is being considered; and
 - (ii) must not vote on that matter,

unless the other Directors pass a resolution that states, effectively, that those Directors, having considered the nature and extent of the conflict or possible conflict, are satisfied that the matter should not disqualify the Common Director from being present or voting.

- (b) A Common Director may at any meeting of the Company request that the meeting be postponed or temporarily adjourned to enable him or her to seek legal advice on whether he or she can:
 - (i) be present while the matter in question is being considered; and
 - (ii) vote on the matter in question.

7 Board committees

- 7.1 The current Committees of the Board include the Audit Committee, the Nomination Committee, the Remuneration Committee and the Communications Committee.
- 7.2 The Board Committees review and analyse policies and strategies, usually developed by management, which are within their terms of reference (detailed below).
- 7.3 The Board Committees examine proposals and, where appropriate, make recommendations to the Board.
- 7.4 The Board Committees do not take action or make decisions on behalf of the Board unless specifically mandated by prior Board authority to do so.
- 7.5 The composition and terms of reference for the Board Committees are reviewed annually by the Board. The Chairman assesses the effectiveness of each Board Committee annually.
- 7.6 A Board Committee may engage separate independent counsel or advisors at the expense of the Company, in appropriate circumstances, with the approval of the Chairman or by resolution of the Board.

8 Audit committee

8.1 Purpose

- (a) The Audit Committee is a committee of the Board. Its primary function is to assist the Board in fulfilling its oversight responsibilities by reviewing the financial information, which will be provided to the shareholders and others, the systems of internal controls, which management and the Board have established, and the audit process. In doing so, it is the responsibility of the Audit Committee to provide an open avenue of communication between the Board, management and the external auditors.
- (b) In addition, the Audit Committee will undertake those specific duties and responsibilities listed below and such other duties as the Board may, from time to time, prescribe.

8.2 Committee Structure and Membership

- (a) The Board shall appoint the Audit Committee annually.
- (b) The Audit Committee shall consist of at least three non-executive directors although any Board member may attend any meeting.
- (c) The Audit Committee shall comprise a majority of independent non-executive Directors.

- (d) Members of the Audit Committee will have a range of different backgrounds, skills and experiences which, when taken as a whole, will give the Audit Committee the ability to understand the issues it is likely to encounter. At least one member of the Audit Committee should have a background in financial reporting, accounting or auditing (however, the lack of any such member shall not invalidate, or otherwise affect, the actions taken by the Audit Committee). Each member of the Audit Committee must be able to read and understand fundamental financial statements, including the Company's statement of financial position, statement of financial performance and cash flow statement, or must become able to do so within a reasonable period of time after their appointment to the Audit Committee.
- (e) The Managing Director, Chief Financial Officer, external auditor and other management as required, will normally attend all Audit Committee meetings.
- (f) The Board will appoint one of the members of the Audit Committee as chairman, who should not be chairman of the Board. The Chairman must be an independent non-executive director. It is the responsibility of the chairperson to schedule all meetings of the Audit Committee and, to provide the Audit Committee with a written agenda.
- (g) The Company Secretary or his appointee will act as secretary of Audit Committee meetings and will circulate minutes of the meeting.

8.3 General

In meeting its responsibilities, the Audit Committee shall:

- (a) Have the power to conduct or authorise investigations into any matters within the Audit Committee's scope of responsibilities. The Audit Committee shall have unrestricted access to members of management and all information relevant to its responsibilities. The Audit Committee shall be empowered to retain independent counsel, accountants, or others to assist it in the conduct of any investigation.
- (b) Meet at least three times per year or more frequently as circumstances require. The Audit Committee may ask members of management or others to attend the meetings and provide pertinent information as necessary.
- (c) Report Audit Committee actions to the Board with such recommendations as the Audit Committee may deem appropriate. The Audit Committee will report to the Board immediately if it becomes aware of any material misstatement in financial information provided by management to the Board or of any material breakdown in internal controls.
- (d) Review and update the Audit Committee's charter.
- (e) Perform such other functions assigned by law, the Company's charter or bylaws, or the Board.
- (f) Meet privately, at least annually, with the external auditors to discuss any matters that the Audit Committee or these groups believe should be discussed with the Audit Committee without the presence of management.
- (g) Self-assess whether the Audit Committee has carried out the responsibilities defined in the Audit Committee Charter once a year.
- (h) Self-assess whether the Audit Committee complies with its membership requirements at least once every year.

8.4 Minutes

Written minutes of the Audit Committee's meetings shall be maintained, which minutes will be filed with the minutes of meetings of the Board.

8.5 Internal Controls and Risk Assessment

The Audit Committee shall:

- (a) Review and evaluate the effectiveness of the Company's process for assessing significant risks or exposures and the steps management has taken to minimise such risks to the Company.
- (b) Consider and review with management, the external auditors, and the risk management function:
 - (i) the effectiveness of, or weaknesses in, the Company's internal controls including computerised information system controls and security, the overall control environment, and accounting and financial controls;
 - (ii) any related significant findings and recommendations of the external auditors and internal auditing, together with management's responses thereto, including the timetable for implementation of recommendations to correct weaknesses in internal controls; and
 - (iii) review with the external auditors the coordination of audit effort to assure completeness of coverage of key business controls and risk areas, reduction of redundant efforts, and the effective use of audit resources.

8.6 Financial Reporting

The Audit Committee shall:

- (a) Ensure that all financial statements released to shareholders, lenders, or any regulatory body comply with accounting standards, are true and fair, and are not misleading.
- (b) Review with management and the external auditors, the financial statements released to shareholders to ensure they comply with Australian Accounting Standards and other regulatory requirements, and present a true and fair view of the financial position of the Company.
- (c) Require management to inform the Audit Committee as to:
 - (i) the compliance with current Australian Accounting Standards and other regulatory requirements;
 - (ii) changes in accounting policies during the period; and
 - (iii) outline methods used in accounting for specific transactions where there is no definitive accounting standard.
- (d) Require external auditors to inform the Audit Committee of their views in relation to the above.
- (e) Review management's representations in respect of the accounts.
- (f) Review the dividend proposal and supporting information provided to the Audit Committee by management to ensure:
 - (i) it complies with Board guidelines; and
 - (ii) that the franking status is consistent with Australian tax paying capacity.

The Audit Committee should then make an appropriate recommendation on the dividend proposal to the Board.

8.7 External Auditor

The Audit Committee shall:

- (a) Recommend to the Board the appointment, remuneration and independence of the external auditor.

- (b) Review the scope and approach of the annual external audit plan with the external auditors.
- (c) Assess the external auditors' process for identifying and responding to key audit and internal control risks.
- (d) Expect that the external auditor will immediately contact the Chairman of the Audit Committee (or, if deemed appropriate by the external auditor, the Chairman of the Board) if management has unreasonably restricted access by the external auditor, or if there are significant unresolved issues between management and the external auditor.
- (e) Ensure the following:
 - (i) that lead engagement audit partners will alternate after a maximum period of five years; and
 - (ii) that three years will elapse before the former lead audit partner can be involved again in the Company's audit.
- (f) Require the external auditor to confirm in writing that they have complied with all professional and regulatory requirements relating to auditor independence prior to the completion of each year's accounts.
- (g) At least annually assess the external auditor's actual or perceived independence by reviewing the services provided by the external auditor. This assessment must also consider whether any anomalies in this area, acceptable to the Audit Committee, would also be perceived as reasonably acceptable by outside observers. In this regard, the following guidelines have been agreed:
 - (i) the external auditor shall not provide services which are in conflict with its role as statutory auditor. These services include all areas in which the auditor may ultimately be required to express an opinion of its own work. Examples of services which should not be provided by the external auditor:
 - (A) internal audit;
 - (B) preparation of accounting records and financial statements;
 - (C) design and/or implementation of new IT systems and financial controls;
 - (D) recruitment and human resource services;
 - (E) valuation services;
 - (F) providing management functions, including senior management secondments;
 - (G) actuarial services; and
 - (H) broker, dealer, or investment advisory services,
 - (ii) the external auditor will be permitted to provide non-audit services that are not perceived to be in conflict with the role of auditor. Examples of services that may be provided without Audit Committee approval:
 - (A) tax compliance services;
 - (B) advice on application of appropriate accounting standards;
 - (C) audits or verification of regulatory returns; and
 - (D) other compliance-type activities;
 - (iii) based on recommendations from management, the Chairman of the Audit Committee may also approve performance of non-audit services by the

external auditor, where such services require a detailed knowledge of the Company's activities in order to decrease costs and maximize output efficiencies.

This consultation process will occur where the individual service is estimated to cost in excess of 10% of the annual external audit fee.

The Chairman of the Audit Committee will also consult with other members of the Audit Committee, the external auditor, and management as appropriate.

Examples of such services are:

- (A) strategic tax advice;
- (B) due diligence on potential acquisition/investments;
- (C) investigating accounting assignments; and
- (D) corporate finance advice (deal structuring and execution).

A report will be given at each Audit Committee Meeting of the services approved since the last meeting.

- (h) Recommend that any former lead engagement partner of the accounting firm involved in the Company's external audit should not be invited to join the Board to fill vacancies arising from time to time.
- (i) Recommend to the Board, on a totally transparent basis, the appropriate disclosure in the Annual Accounts of the full details of all fees paid to the external auditor.
- (j) Require the external auditor to attend the Company annual general meeting.

8.8 Risk Management Process

- (a) Review the risk management process for establishing the annual audit plan and the focus on risk.
- (b) Consider and review with management:
 - (i) significant findings during the year and management's responses to those findings, including the timetable for implementation of the recommendations to correct weaknesses in internal control;
 - (ii) any difficulties encountered in the course of their audits, including any restrictions on the scope of their work or access to required information;
- (c) any changes required in the planned scope of their audit plan;
 - (i) the risk management charter;
 - (ii) compliance with the *Standards for the Professional Practice of Internal Auditing* established by the Institute of Internal Auditors.

8.9 Taxation

Review the taxation position of the Company to ensure it is in compliance with relevant tax law, and determine that there are no significant exposures not reflected in the financial statements. Part of this assessment will involve reviewing the utilisation of tax losses.

9 Nomination Committee

9.1 Purpose

The Nomination Committee is a committee of the Board. The Nomination Committee's purpose is to:

- (a) develop criteria for Board membership and identify specific individuals for nomination; and
- (b) establish processes for the review of the performance of individual Directors and the Board as a whole.

9.2 Membership and Structure

- (a) The Nomination Committee shall consist of at least three non-executive directors and comprised of majority of independent directors. Refer to section 2 for a list of the current members of the Nomination Committee.
- (b) The Nomination Committee shall appoint one of the members of the Nomination Committee as the Chairperson of the Nomination Committee. It is the responsibility of the Chairperson of the Nomination Committee to schedule all meetings of the Nomination Committee and to provide the members of the Nomination Committee with a written agenda.
- (c) The Company Secretary, or his appointee, will act as secretary of the Nomination Committee and will circulate minutes of the meetings.

9.3 Meetings

- (a) Any member of the Nomination Committee may call a meeting of the Nomination Committee.
- (b) As a minimum, the Nomination Committee shall meet twice a year to facilitate a board performance assessment.
- (c) In addition, the Nomination Committee shall 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 of the Company.
- (d) The Chairperson of the Nomination Committee, or delegate, shall report to the Board following each meeting.
- (e) The Nomination Committee may invite any executive management team members or other individuals to attend meetings of the Nomination Committee, as they consider appropriate.
- (f) The Nomination Committee shall have direct access to the Company's officers and advisers, both external and internal, and shall have the authority to seek whatever independent, professional or other advice it requires in order to assist it in meeting its responsibilities from outside the Company.

9.4 Quorum and Voting

- (a) A quorum will comprise any 2 Nomination Committee members. In the absence of the Nomination Committee Chairperson, or appointed delegate, the members shall elect one of their number as Chairperson for that meeting.
- (b) Each member shall have one vote.
- (c) The Chairperson of the Nomination Committee shall not have a second or casting vote.

9.5 Duties

The responsibility of the Nomination Committee in the area of nomination is to develop criteria for Board membership, to identify suitably skilled, qualified and experienced individuals for nomination and to establish processes for the review of the performance of Directors.

Some of the specific matters the Nomination Committee may consider, include:

- (a) determining the appropriate size and composition of the Board;
- (b) developing criteria for Board membership and assessing the skills required on the Board;
- (c) reviewing the skills represented on the Board and determining whether those skills meet the required skills as identified;
- (d) revising the membership of the Board;
- (e) making recommendations to the Board on candidates it considers appropriate for appointment; and
- (f) reviewing the retiring non-executive Director's performance and making recommendations to the Board as to whether the Board should support the nomination of a retiring non-executive Director.

10 Remuneration Committee

10.1 Purpose

The Remuneration Committee is a committee of the Board. The Committee's purpose is to:

- (a) review and make recommendations to the Board on remuneration packages and policies applicable to Senior Management and Directors;
- (b) define levels at which the Managing Director must make recommendations to the Committee on proposed changes to remuneration and employee benefit policies;
- (c) ensure that remuneration packages and policies attract, retain and motivate high calibre executives; and
- (d) ensure that remuneration policies demonstrate a clear relationship between key executive performance and remuneration.

10.2 Membership and Structure

- (a) The Committee shall consist of at least three non-executive directors and comprised of majority of independent directors. Refer to section 2 for a list of the current members of the Committee.
- (b) The Committee shall appoint one of the members of the Committee as the Chairperson of the Committee. The Chairperson must be an independent non-executive director. It is the responsibility of the Chairperson of the Committee to schedule all meetings of the Committee and to provide the members of the Committee with a written agenda.
- (c) The Company Secretary, or his appointee, will act as secretary of the Committee and will circulate minutes of the meetings.

10.3 Meeting

- (a) Any member of the Committee may call a meeting of the Committee.
- (b) As a minimum, the Committee shall meet twice a year in order to review and make recommendations to the Board on remuneration packages and policies

applicable to Senior Management and Directors. This should take place at least one month prior to the date on which any change to remuneration packages or to the membership of the Board is to become operative.

- (c) The Chairperson of the Committee, or delegate, shall report to the Board following each meeting.
- (d) A member of the Committee is not entitled to be present at a meeting of the Committee when his own remuneration package is being evaluated.
- (e) The Committee may invite any executive management team members or other individuals to attend meetings of the Committee, as they consider appropriate.
- (f) The Committee shall have direct access to the Company's officers and advisers, both external and internal, and shall have the authority to seek whatever independent, professional or other advice it requires in order to assist it in meeting its responsibilities from outside the Company.

10.4 Quorum

- (a) A quorum will comprise any 2 Committee members. In the absence of the Committee Chairperson, or appointed delegate, the members shall elect one of their number as Chairperson for that meeting.
- (b) Each member shall have one vote.
- (c) The Chairperson of the Committee shall not have a second or casting vote.

10.5 Duties

- (a) The Committee is expected to review and make recommendations to the Board on remuneration packages and policies applicable to Senior Management and Directors.
- (b) The specific matters the Committee may consider include the review of:
 - (i) policies for Senior Management and Directors' remuneration annually, including the link between Company and individual performance;
 - (ii) current industry codes and best practice;
 - (iii) different methods for remunerating Senior Management and Directors;
 - (iv) existing or proposed share option schemes or other incentive schemes;
 - (v) retirement and termination benefits and payments;
 - (vi) professional indemnity and liability insurance policies; and
 - (vii) the Company's succession planning and its appropriateness to ensure that adequate arrangements are in place and that recruitment and training is providing adequate candidates for future promotion to senior positions in the Company.

11 Communications Committee

11.1 Purpose

The Communications Committee is a committee of the Board. Its primary function is to ensure that public announcements made by the Company (including to the ASX and shareholders) comply with the Company's Continuous Disclosure Protocol and applicable laws.

11.2 Membership and Structure

- (a) The Committee shall consist of the Compliance Officer and the Chairman, or in his/her absence, the Deputy Chairman. Refer to section 2 for a list of the current members of the Committee.
- (b) The Compliance Officer shall be the Chairperson of the Committee. It is the responsibility of the Chairperson of the Committee to schedule all meetings of the Committee and to provide the members of the Committee with an agenda.
- (c) The Company Secretary, or his/her appointee, will act as secretary of the Committee and will circulate minutes of the meetings.

11.3 Meeting

- (a) Any member of the Committee may call a meeting of the Committee.
- (b) The Committee shall meet as necessary in order to consider the communications to be made by the Company.
- (c) The Chairperson of the Committee, or delegate, shall report to the Board following each meeting.
- (d) The Committee may invite any executive management team members or other individuals to attend meetings of the Committee, as they consider appropriate.
- (e) The Committee shall have direct access to the Company's officers and advisers, both external and internal, and shall have the authority to seek whatever independent, professional or other advice it requires in order to assist it in meeting its responsibilities from outside the Company.

11.4 Quorum

- (a) A quorum will comprise both Committee members. In the absence of the Committee Chairperson, or appointed delegate, the members shall elect one of their number as Chairperson for that meeting.
- (b) Each member shall have one vote.
- (c) The Chairperson of the Committee shall not have a second or casting vote.

11.5 Delegation

To assist the Board to discharge its responsibilities and duties in relation to communications, it has resolved to delegate to the Committee responsibility for approving public announcements.

11.6 Duties

- (a) The Committee must review and approve all public announcements to be made by the Company.
- (b) In conducting any review, the Committee will follow the Company's Continuous Disclosure Protocol and the procedures set out in section 17.
- (c) The specific matters the Committee should consider when reviewing draft public announcements include whether the draft public announcements are accurate and not misleading, paying particular attention to whether there are any unqualified statements, omissions or unstated assumptions.

12 Chairman of Directors

12.1 Introduction

- (a) The Board supports the separation of the role of Chairman from that of the Managing Director.
- (b) The general role of the Chairman is to manage the Board effectively, to provide leadership to the Board and to interface with the Managing Director.
- (c) The Chairman must be a non-executive Director.
- (d) The Chairman, while working closely with the Managing Director, should retain an independent perspective to best represent the interests of the Company, shareholders, and the Board.

12.2 Working with Management

The Chairman will:

- (a) act as the principal sounding board and counsellor for the Managing Director including helping to define problems, reviewing strategy, maintaining accountability, building relationships and ensuring the Managing Director is aware of concerns of the Board and shareholders;
- (b) lead the Board in monitoring and evaluating the performance of the Managing Director; and
- (c) co-ordinate with the Managing Director to ensure that management's strategy, plans and performance are appropriately represented to the Board and shareholders as appropriate.

12.3 Managing the Board

The Chairman will:

- (a) ensure that the Board has full governance of the Company's business and affairs and that the Board is alert to its obligations to the Company, shareholders and management under the law;
- (b) provide leadership to the Board, assist the Board in reviewing and monitoring the aims, strategy, policy and directions of the Company and the achievement of its objectives;
- (c) communicate with the Board to keep it up to date on all major developments, including timely discussion of potential developments and directing management to ensure that the Board has sufficient knowledge to permit it to make major decisions when such decisions are required;
- (d) set the frequency of the Board meetings and review such frequency from time to time as considered appropriate or as requested by the Board;
- (e) co-ordinate the agenda, information packages and related events for Board meetings with the Managing Director and the Company Secretary;
- (f) chair Board meetings;
- (g) attend Board Committee meetings where appropriate; and
- (h) act in a manner such that Board and the Board Committee meetings are conducted in an efficient, effective and focused manner.

12.4 Relations with Shareholders and the Public

The Chairman will:

- (a) chair meetings of shareholders; and

- (b) at the request of the Managing Director take steps such that the Company's management and, where applicable, the Board are appropriately represented at official functions and meetings with major shareholder groups, other stakeholder groups (including suppliers, customers, employees, governments, regulators and local communities), financial analysts, financial press, and debt and equity providers.

13 Managing Director

13.1 Responsibilities

- (a) The Managing Director is in charge of the day-to-day leadership and management of the Company.
- (b) The Managing Director also has the responsibility of managing and overseeing the interfaces between the Company and the public and to act as the principal representative for the Company.
- (c) The Managing Director must report annually to the Board on succession planning and management development.

13.2 Evaluation

- (a) The Board evaluates the performance of the Managing Director and his direct reports annually.
- (b) The evaluation is based on criteria that include the performance of the business, the accomplishment of long-term strategic objectives and other non-quantitative objectives established at the beginning of each year.

13.3 Delegations of Authority

Refer to section 15.4 for the specific authorities delegated to the Managing Director.

14 Senior Management

14.1 Obligations

Senior Management will:

- (a) develop strategies to deliver strong market franchises and build shareholder wealth over the long term;
- (b) recommend appropriate strategic and operating plans;
- (c) maintain effective control of operations;
- (d) measure performance against peers;
- (e) be strong, principled and provide ethical leadership;
- (f) assure sound succession planning and management development;
- (g) provide sound organisational structure;
- (h) inform the Board regularly regarding the status of key initiatives;
- (i) ensure the Board has "no surprises"; and
- (j) advance Board materials which contain the right amount of information and are received sufficiently in advance of Board meetings.

14.2 Senior Management Remuneration

- (a) Employee remuneration is tied to performance through structures involving an element of fixed or base salary and a variable bonus linked to performance.

- (b) Incentive remuneration is a way to motivate employees to think and act like owners. It is aimed at changing the mindset of employees and hence the culture of the organisation towards value creation. By aligning their financial interests with those of shareholders, incentive remuneration encourages employees to focus on strategies and results which create value.
- (c) The remuneration packages for Senior Management are reviewed by the Remuneration and Nominations Committee and recommended to the Board for implementation on 1 December each year.
- (d) In making its recommendations the Remuneration and Nominations Committee endeavours to align these packages with the value added objectives of shareholders.
- (e) The remuneration packages for Senior Management includes participation in executive share plans in order to ensure that the goals of the Company's shareholders and its Senior Management are aligned.

15 Delegated Authorities

15.1 Obligations Pursuant to Constitution

The Directors have an obligation under clause 28.1 of the Company's Constitution which states that:

"The business of the Company shall be managed by the Directors."

15.2 Primary Role of the Board

The Board has determined its primary roles to include:

- (a) **Fiduciary requirements**
 - (i) Approval of major transactions - acquisition/divestments (certain major transactions may also require the approval of shareholders pursuant to the Listing Rules of the ASX).
 - (ii) Approval of capital expenditures above delegated authorities.
- (b) **Shareholder Value/Corporate Strategy**
 - (i) Portfolio composition.
 - (ii) Risk profile.
 - (iii) Return expectation.
 - (iv) Financial policy.
 - (v) Results reporting.
 - (vi) Reviewing the Company performance against its strategic objectives.
- (c) **Organisation**

Managing Director appointment and remuneration.
- (d) **Selection of Directors**
 - (i) Recruitment.
 - (ii) Performance review.
 - (iii) Remuneration.
- (e) **Processes**

For the efficient discharge of responsibilities.

15.3 Delegation Powers

The formulation and implementation of certain aspects of the Board’s responsibilities and duties may be through the delegation of certain of its powers to a committee of Directors by the authority of Section 198D of the Corporations Act:

“Section 198D Delegation”

198D(1) [Delegation of powers] The Directors may delegate any of their powers to a committee of Directors, a Director, an employee of the Company or any other person.

198D(2) [Exercise by delegate] The delegate must exercise the powers delegated in accordance with any directions of the Directors.

198D(3) [Effect of exercise of powers] The exercise of the power by the delegate is as effective as if the Directors exercised it.

15.4 Delegations of Authority to the Managing Director

To assist the Board to discharge its responsibilities and duties it has resolved to delegate to the Managing Director specific authorities which will be subject to appropriate reporting and monitoring procedures.

These are:

(a) **Shareholder Value/Corporate Strategy**

| | |
|------------|---|
| Delegation | The Delegate will have all necessary powers to formulate and bring to the Board for review and approval: <ul style="list-style-type: none"> an appropriate long-range vision and portfolio composition for the Company; and appropriate financial standards, policies and plans. |
| Monitoring | <ul style="list-style-type: none"> The Delegate will report annually to the Board on the long-range visions in conjunction with the annual Strategic Planning Review in July. Any new (or changes in) financial standards and policies will be initially reviewed by the Audit Committee who will be responsible for recommending their acceptance to the full Board. |

(b) **Organisation Planning**

| | |
|------------|--|
| Delegation | The Delegate will have all necessary powers to formulate an appropriate human resources philosophy including a management succession plan, to ensure that the organisational strength and manpower planning is equal to the requirements of the long range vision. |
| Monitoring | Annually in November the Delegate will report to the Board on organisation planning. |

(c) **Capital Allocation**

| | |
|------------|--|
| Delegation | Power is delegated up to the following limits: |
|------------|--|

| | |
|------------|--|
| | <ul style="list-style-type: none"> • Delegate individually – 250,000 • Delegate and the Chairman – 500,000 • Full Board approval - over 500,000 • Essential expenditure (of a 'stay in business nature') concerning health, safety or the environment may be authorised by the Delegate. Such expenditure must be confirmed at the next meeting of the full Board. • Power is also delegated to the Chief Science Officer and the Chief Financial Officer for capital expenditures up to \$5,000. |
| Monitoring | All capital approvals are required to be reported monthly to the Board per Capital Expenditure reports. |

(d) **Performance Appraisal**

| | |
|------------|--|
| Delegation | The Delegate has the responsibility to report to the Board reviewing the financial results with the Company philosophy, budgetary goals and competition performance. |
| Monitoring | Will be achieved through a regular review of results compared with the Company's budgetary plans at each meeting of Directors. |

(e) **Compliance**

| | |
|------------|--|
| Delegation | <p>The Board delegates to the Delegate, the responsibility for ensuring compliance under Australian legislation, and specifically the:</p> <ul style="list-style-type: none"> • Corporations Act; • ASX Listing Rules; • Trade Practices Act; • Occupational Health & Safety Act; and • Workplace Relations Act, <p>and similar legislation applying to the Directors in overseas jurisdictions in which the Company conducts its business.</p> |
| Monitoring | The Board expects high standards of compliance with all legal and regulatory requirements and the Delegate shall ensure that appropriate compliance programmes and monitoring and reporting procedures relative to this delegation are formulated. |

(f) **General Policies**

| | |
|------------|---|
| Delegation | The Delegate is deemed to have power to formulate and set |
|------------|---|

| | |
|------------|--|
| | policies on Treasury matters, Taxation, Risk and Insurance, Human Resources and Employee Relations, Statutory Obligations, Community and Public Relations. |
| Monitoring | Any changes to the policies on the above matters require Board approval. The Delegate shall provide reports to the Board as appropriate. |

(g) **General Delegation**

| | |
|------------|--|
| Delegation | The Board delegates, without limiting the generality of items 4.1 to 4.6 above, all other powers of the Board to manage the business of the Company to the Delegate. |
| Monitoring | The Delegate is required to report all material matters to the Board. |

16 Trading Policy

16.1 Prohibition on Insider Trading

- (a) The Corporations Act provides for three distinct, but related, offences of insider trading. The offences are:
- (i) trading in securities;
 - (ii) procuring another person to trade in securities; or
 - (iii) communicating information to another person who is likely to trade in the securities or procure someone else to trade,
- with the knowledge of price sensitive information that is not generally available, but if it was generally available, a reasonable person would expect it to have a material effect on the price or value of the securities.
- (b) The offences are extended to persons who ought reasonably to know that the information is not generally available but if it was generally available, it might have a material effect on the price or value of the securities.
- (c) The term “securities” is defined broadly to include shares, options, debentures, units and prescribed interests.
- (d) The prohibitions apply to Directors and employees of a corporation who deal, directly or indirectly, in the securities of the corporation, either for personal gain or for the gain of any other person.
- (e) Penalties for committing an offence of insider trading are severe and include a fine of up to \$200,000 or imprisonment of up to five years or both. If a corporation commits an offence of insider trading the fine imposed can be up to five times the fine imposed on an individual. In addition, civil liability attaches to a breach of the law relating to insider trading.

16.2 Trading Policy

- (a) No Director or employee of the Company may deal in, or procure another person to deal in, the securities of the Company on the basis of information that is not generally available but if it was generally available, might have a material effect on the price or value of the Company’s securities.
- (b) This policy extends to dealing in the securities of the Company by:
- (i) any associate or related party of a Director or employee of the Company;
- and

- (ii) any company, trust or other entity in which the Director or employee has an interest.
- (c) An associate includes:
 - (i) a Director or Secretary of the Company;
 - (ii) a related body corporate; and
 - (iii) a director or secretary of a related body corporate.
- (d) A related party includes:
 - (i) a Director of the Company;
 - (ii) a spouse or de facto spouse of a Director of the Company;
 - (iii) a parent, son or daughter of a Director, spouse or de facto spouse;
 - (iv) an entity over which :
 - (A) a person of a kind referred to above has control; or
 - (B) 2 or more such persons together have control.

16.3 Periods during which dealing may take place

- (a) Subject to the provisions of this section 16.3 and sections 16.4 and 16.5 below, dealing in the Company's securities may take place at any time, except during the following periods:
 - (i) the period commencing 6 weeks prior to the release of the Company's half year results to the ASX and ending 24 hours after such release; or
 - (ii) the period commencing 6 weeks prior to the release of the Company's year end results to the ASX and ending 24 hours after such release; or
 - (iii) the period commencing 2 weeks prior to the Company's Annual general meeting and ending 24 hours after the annual general meeting.
- (b) Notwithstanding the above, no dealing will be permitted at any time if the Director or employee possess (or are deemed to possess) any price sensitive information which is not generally available. If they are not sure whether a reasonable person would expect a matter to have a material effect on the price or value of the corporation's securities, then they should seek independent legal advice on the matter.

16.4 Pre-dealing Checklist

For all periods during which dealing is permitted, the following procedure must be complied with before any dealing is undertaken:

- (a) Is the Director or employee aware of any information that is not generally available but, if the information was generally available, a reasonable person would expect to have a material effect on the price or value of securities of the Company?
 - (i) NO - they may apply to the Company Secretary for permission to deal in the Company's securities
 - (ii) YES - has the information been disclosed to the ASX?
 - (A) YES - they may apply to the Company Secretary for permission to deal in the Company's securities
 - (B) NO - they may not deal in the Company's securities

16.5 Pre-dealing Procedure

- (a) A Notice of Intention to buy or sell Securities in the form set out in Schedule 2 must be completed by the person intending to deal in the securities of the Company.
- (b) The Notice must be submitted to the Company Secretary.
- (c) On receipt of such Notice, the Company Secretary shall immediately discuss the Notice with the Chairman to obtain approval to trade.
- (d) No dealing may be undertaken before the application receives the written approval of the Company Secretary.
- (e) The dealing must be completed within 14 days from the date that the application receives written approval and, in any event, no dealing may occur within the periods set out in section 16.3 above.

16.6 Post Dealing Notification

Please refer to sections 18 and 19 regarding notification to the ASX of directors' interest in the Company's securities and substantial holding.

17 Communications and Continuous Disclosure Protocol

17.1 Communications Strategy

The Company's strategy is to ensure that shareholders, regulators and the wider investment community are informed of all major developments affecting the Company in a timely and effective manner. Information is communicated in a number of ways including:

- (a) annual and half-yearly reports;
- (b) market disclosures in accordance with the continuous disclosure protocol;
- (c) updates on operations and developments;
- (d) announcements on the Company's website; and
- (e) market briefings and presentations at general meetings.

Shareholders are encouraged to attend and participate at general meetings. To facilitate this, meetings will be held during normal business hours and at a place convenient for the greatest possible number of shareholders to attend. The full text of notices and accompanying materials will be included on the Company's website. Information, including in relation to:

- (i) the nature of the business of the meeting;
- (ii) conflicts of interest;
- (iii) voting restrictions; and
- (iv) directors recommendations

will be presented in a clear and concise manner designed to provide shareholders and the market with full and accurate information. Proxy forms will be provided.

17.2 The Company's Obligations of Continuous Disclosure

- (a) ASX Listing Rule 3.1 requires the Company to "immediately" disclose any information concerning the Company:
 - (i) when the Company is, or becomes, aware of the information; and

- (ii) which a reasonable person would expect the information to have a material effect on the price or value of the Company's securities, commonly referred to as continuous disclosure obligations.
- (b) Section 793C of the Corporations Act reinforces the Listing Rule by creating criminal and civil penalties for non compliance.
- (c) The requirement to disclose this information does not apply if, and only if, each of the following four conditions is, and remains, satisfied:
 - (i) a reasonable person would not expect the information to be disclosed; and
 - (ii) the information is confidential; and
 - (iii) one or more of the following conditions apply:
 - (A) it would be a breach of a law to disclose the information; or
 - (B) the information concerns an incomplete proposal or negotiation; or
 - (C) the information comprises matters of supposition or is insufficiently definite to warrant disclosure; or
 - (D) the information is generated for the internal management purposes of the Company; or
 - (E) the information is a trade secret; and
 - (iv) ASX has not asked the Company for information to prevent a false market in the Company's securities.

17.3 When the Company is deemed to have become aware of the information

- (a) The Company will be deemed to have become aware of information where a Director or executive officer has, or ought reasonably to have, come into possession of the information in the course of performance of his or her duties as a Director or executive officer of the Company.
- (b) An executive officer is a person concerned in, or taking part in, the management of the Company.

17.4 Procedures adopted by the Board to ensure compliance

The Board has established procedures to ensure compliance with its Continuous Disclosure obligations. These include the appointment of a Compliance Officer and Deputy Compliance Officer to ensure that the Company complies with its obligations of continuous disclosure and the delegation of responsibility to the Communications Committee.

17.5 The Compliance Officer

(a) Appointment of Compliance Officer and Deputy Compliance Officer

The Board has appointed the Managing Director as the Company's Compliance Officer. The Company Secretary has been appointed as the Deputy Compliance Officer and shall act when the Compliance Officer is not available.

The Compliance Officer is primarily responsible for ensuring that the Company complies with its disclosure obligations under the Corporations Act and the ASX Listing Rules, and is primarily responsible for deciding what information will be disclosed.

(b) Responsibilities of the Compliance Officer

The Compliance Officer shall:

- (i) decide whether information must be disclosed to the ASX and, in this regard, consult with the Company's legal advisors when necessary;
- (ii) conduct, or ensure that the Company Secretary conducts, all disclosure discussions with the ASX;
- (iii) ensure that the Company Secretary maintains a disclosure file containing:
 - (A) all reports received by the Compliance Officer setting out information required, or potentially required, to be disclosed to the ASX;
 - (B) copies of all disclosure correspondence with the ASX; and
 - (C) copies of all material that has not been disclosed to the ASX;
- (iv) review the periodic reports received from Reporting Managers to ensure that matters that may potentially effect the price of the Company's securities are resolved, whether by disclosing a matter to the ASX or by providing valid reasons as to why the matter need not be disclosed to the ASX;
- (v) as required, submit periodical reports to the Board, setting out:
 - (A) details of the matters reported to the Compliance Officer for consideration as to whether they should be disclosed to the ASX;
 - (B) details of those matters disclosed to the ASX; and
 - (C) any significant matters revealed by the Compliance Officer's review of the reports provided by the Reporting Managers; and
- (vi) institute such procedures as the Compliance Officer considers necessary and expedient to ensure that the Reporting Managers and their subordinates are aware of and understand the Company's Continuous Disclosure requirements and of their responsibilities under this protocol.

17.6 Reporting Managers

(a) Appointment of Reporting Managers

The Compliance Officer shall, from time to time, appoint Reporting Managers to ensure the efficient transmission of information to the Compliance Officer.

(b) Responsibilities of Reporting Managers

- (i) In order to ensure that the Company complies with its Continuous Disclosure obligations, Reporting Managers must:
 - (A) ensure that their subordinates are aware of the continuous disclosure obligations of the Company in relation to the disclosure of information that may have a material effect on the price of the Company's securities;
 - (B) implement and supervise, reporting procedures for subordinate staff in relation to the disclosure of price-sensitive information to the relevant Reporting Officers;
 - (C) immediately disclose to the Compliance Officer price sensitive information that comes to their attention; and
 - (D) set out in their periodic reports details of information which may, in time, become material and need to be disclosed.
- (ii) If a Reporting Manager becomes aware of information that materially effects, or may materially effect, the price of the Company's securities, he

or she must immediately notify the Compliance Officer or if the Compliance Officer is unavailable, the Deputy Compliance Officer. In the case of an emergency or where any delay would prejudice the Company, the report should be made orally and followed up by a written report supported by all available background information and explanatory material. The Reporting Manager is not required to determine whether the information is price-sensitive or whether the information falls within the exception to ASX Listing Rule 3.1, as that is the duty of the Compliance Officer.

- (iii) In addition to the notification referred to in section 17.6(b)(ii), the Reporting Managers must include in their periodic reports to the Compliance Officer, a summary of:
 - (A) matters within their responsibility which may give rise to material information in the future;
 - (B) in relation to matters raised in earlier management reports, where appropriate:
 - (1) a summary of the reasons that the matters are no longer likely to effect the price of the Company's securities; or
 - (2) a statement that the Reporting Manager is monitoring the matter.
 - (C) The report must state if there are no matters which potentially give rise to price-sensitive information or if there are no additional reports on previously notified matters.
 - (D) The Reporting Manager must ensure that each of his or her subordinates have a copy of the Continuous Disclosure Memorandum attached as Schedule 1 to this Manual.

17.7 Reporting and Disclosure Procedure

(a) Reporting to Compliance Officer

- (i) Where any information comes to light about the Company which may need to be disclosed, all Directors, executive officers, Reporting Managers and employees are obliged to bring that information to the attention of the Compliance Officer or the Deputy Compliance Officer (as the case may be) with all possible expediency.
- (ii) In the case of an emergency, or where any delay would prejudice the Company, initial verbal notification should be given directly to the Compliance Officer, to be followed by a written report.

(b) Determining whether the information must be disclosed

Upon receipt of a report from a Director, Reporting Manager or any other person, the Compliance Officer shall determine whether the information contained in that report may have a material effect on the price of the Company's securities and whether it should be disclosed to the ASX. In making that determination, the Compliance Officer shall decide whether the information:

- (i) is price-sensitive and must be disclosed;
- (ii) is not price-sensitive and does not have to be disclosed; or
- (iii) does not have to be disclosed because it falls under each element of the exception to ASX Listing Rule 3.1.

(c) If the information must be disclosed

- (i) If the information is price-sensitive and must be disclosed, the Compliance Officer shall, immediately:
 - (A) discuss the matter with the Communications Committee and, if the matter involves scientific issues or the Company's patent portfolio, the Chief Science Officer;
 - (B) prepare, together with the Group General Manager, Corporate Affairs, an appropriate release, to be reviewed by the Communications Committee and, if the matter involves scientific issues or the Company's patent portfolio, the Chief Science Officer prior to it being sent to the ASX;
 - (C) ensure that the Company Secretary sends the release to the ASX's Company Announcements Office by facsimile or electronic means; and
 - (D) ensure that the Company Secretary places a copy of the release on the disclosure file.
 - (ii) If the Communications Committee and, if the matter involves scientific issues or the Company's patent portfolio, the Chief Science Officer are unable to agree on whether the information must be disclosed, whether in whole or in part, or as to the terms of the disclosure, the Company's legal advisors should be consulted immediately.
- (d) **If the information does not have to be disclosed**
- (i) If the information is not price-sensitive or does not have to be disclosed because it falls under all elements to the exception to ASX Listing Rule 3.1, then the Compliance Officer must:
 - (A) record the information and the reason for it not being disclosed; and
 - (B) ensure that the Company Secretary places a copy of all notes and correspondence relating to the matter on the disclosure file.
- (e) **If the Compliance Officer is unsure**
- (i) If the Compliance Officer is unsure whether the information is price sensitive or whether it falls under an exception to ASX Listing Rule 3.1, then he must immediately discuss the matter with the Communications Committee.
 - (ii) If the Communications Committee cannot agree on whether the information is required to be disclosed, then the Compliance Officer shall immediately seek advice from the Company's legal advisors.
- (f) **Release of Information**
- (i) The Company must not disclose the information in any way until disclosure has been made to the ASX and the Company has received acknowledgement from the ASX that the information has been released to the market.
 - (ii) After receipt of the ASX's acknowledgement, the Compliance Officer will ensure that the Company Secretary arranges for a copy of the announcement to be posted on the Company's website.
 - (iii) All announcements must be kept separate from any promotional material found on the Company's website.

17.8 Confidential Information

If a determination is made that the information which comes to light is confidential, the Compliance Officer will ensure that anyone who has a copy of, or knows about, the information is aware that it is confidential.

17.9 Relationship with Media, Public and Analysts

- (a) Care must be taken not to make comments to the media or others which could result in rumours or speculation about the Company. Directors must comply with the media relations policy of the Company.
- (b) The policy limits media contact to members of Communications Committee. Other Directors and executives may only speak with the media in relation to a particular matter concerning the Company if they have obtained the prior express approval of the Managing Director.
- (c) It is also important to ensure that any speeches, or external addresses given, do not result in rumours or speculation about the Company or unauthorised disclosure. The text of all speeches and external addresses must receive prior endorsement of the Managing Director.
- (d) During any briefings and discussions with analysts, Directors and executives must only disclose information that has been publicly released through the ASX. If a question arises which can only be answered by disclosing price sensitive information, the Director or executive must decline to answer the question or take it on notice and then announce the information through the ASX before responding.

17.10 Maintenance of Continuous Disclosure Protocol

- (a) The Continuous Disclosure Protocol shall, at all times, be kept under review by the Compliance Officer to ensure that the Company complies with its continuous disclosure obligations under the Corporations Act and the ASX Listing Rules. Where appropriate, the Company's legal advisors shall be consulted to ensure that the Continuous Disclosure Protocol complies with all relevant legislation.
- (b) Any queries about the Continuous Disclosure Protocol should be referred to the Compliance Officer.

18 Disclosure of Directors' Interests

18.1 Corporations Act 2001 – Directors' Obligations

- (a) Section 205G of the Corporations Act requires a director of a listed company to notify the ASX of the following interests of the director:
 - (i) relevant interests (as defined below) in securities of the Company or of a related body corporate;
 - (ii) contracts to which the director is a party or under which the director is entitled to a benefit and that confer a right to call for or deliver:
 - (A) shares in; or
 - (B) debentures of; or
 - (C) interests in a managed investment scheme made available by the Company or a related body corporate
- “**Relevant Interest**” means:
- (iii) a person is the holder of the securities;

- (iv) a person has the power to exercise, or control the exercise of, a right to vote attached to the securities; or
 - (v) a person has the power to dispose of, or control the exercise of a power to dispose of, the securities.
- (b) A notice of the relevant interest must give details of the nature and extent of the interest and be given within 14 days of the interest arising or changing.

18.2 ASX Listing Rules – the Company’s Obligations

In addition to the requirements under the Corporations Act, the Company has an obligation to notify the ASX of the relevant interests of each Director of the Company under ASX Listing Rule 3.19A.

18.3 What action is required by a Director?

- (a) A Director will be relieved of his or her obligations under Section 250G of the Corporations Act if the Company complies with ASX Listing Rule 3.19A.
- (b) In order for the Company to comply with its obligations, and thus relieve the Director from his or her obligations, the Director must provide the necessary information to the Company.
- (c) Each Director must enter into an arrangement with the Company which will require him or her to disclose to the Company all of the information necessary for the Company to comply with its obligations to notify the ASX. A pro-forma agreement is set out in Schedule 3.

18.4 Initial Notification

- (a) The Company must notify the ASX of a Director’s relevant interests in the Company’s securities within 5 business days of being appointed a Director of the Company.
- (b) In the event that the Company does not notify the ASX due to non-disclosure by the relevant Director, that Director would not be relieved of his or her obligations under Section 250G of the Corporations Act. Consequently, the Director would still have an obligation to notify the ASX of his or her relevant interests in the Company’s securities within 14 days of being appointed a Director of the Company.
- (c) A Director who retires and is then re-appointed at the same meeting is not required to notify the ASX of his or her relevant interests again.

18.5 Notification of Changes

- (a) The Company must notify the ASX of a change in the Director’s relevant interests in the Company’s securities within 5 business days after the change occurs.
- (b) In the event that the Company does not notify the ASX of any change due to non disclosure by the relevant Director, that Director would not be relieved of his or her obligations under Section 250G of the Corporations Act. Consequently, the Director would still have an obligation to notify the ASX within 14 days of any change in his or her relevant interests unless the Director has already given the information to the ASX pursuant to the substantial holding provisions of the Corporations Act. In contrast to the substantial shareholder notices required under Section 671B of the Corporations Act, notices under Section 205G of the Corporations Act cover any change to the Director’s relevant interests.

18.6 Notification on Ceasing to be a Director

The Company must notify the ASX of a Director's relevant interest in the Company's securities as at the date the Director ceases to be a Director of the Company within 5 business days after cessation.

19 Substantial Shareholders

19.1 Obligation of Shareholders

Section 671B of the Corporations Act requires each shareholder of the Company to notify the ASX and the Company if:

- (a) they begin, or cease, to have a substantial holding in the Company;
- (b) they are a substantial shareholder and there is a movement of at least 1% in their holding; or
- (c) they make a takeover bid for securities of the Company.

19.2 Are you a Substantial Shareholder?

A shareholder has a substantial holding in the Company if the total votes attached to voting shares in the Company in which they (and/or their associates) have a relevant interest in, is 5% or more of the total number of votes attached to the voting shares in the Company.

19.3 Information and Documentation to be Provided

- (a) The information to be provided includes:
 - (i) details of the shareholder's relevant interest in voting shares in the Company;
 - (ii) details of any relevant agreement through which they would have a relevant interest in voting shares in the Company;
 - (iii) the name of each associate who has a relevant interest in voting shares in the Company together with details of the nature of the association, the relevant interest of the associate and any relevant agreement through which the associate has the relevant interest;
 - (iv) the size and date of any movement in the holding (if applicable); and
 - (v) the name of any person who ceases to be an associate (if applicable).
- (b) The above information must be accompanied by:
 - (i) a copy of any document setting out the terms of any relevant agreement that contributed to the situation giving rise to the shareholder needing to provide the information, which is in writing and readily available to the shareholder; or
 - (ii) if the agreement is not in writing and readily available to the shareholder – a statement by the shareholder giving full and accurate details of any contract, scheme or arrangement that contributed to the situation giving rise to the shareholder needing to provide the information.

19.4 Lodging Requirements

- (a) When a person becomes a substantial shareholder in the Company they must give an initial substantial holder notice to the Company and the ASX within 2 business days after the day on which the person becomes aware that they became a substantial shareholder. The form of notice is contained in ASIC Form 603.

- (b) A substantial shareholder is required to notify the Company and the ASX of any change in their shareholding by more than 1% within 2 business days after the day on which the substantial shareholder becomes aware of the change. The form of notice is contained in ASIC Form 604.
- (c) Where a person ceases to be a substantial shareholder, that person must notify the Company and the ASX within 2 business days after the day on which the person ceased to be a substantial shareholder. The form of notice is contained in ASIC Form 605.

20 Specific Operational Authorities

20.1 Appointment of Consultants

Any Director with the prior approval of the Chairman, or by resolution of the Board, can appoint legal or financial consultants at the expense of the Company. The Managing Director is authorised to appoint consultants to advise on specific aspects of the Company's operations, acquisitions and/or divestments. They may also appoint legal or financial consultants or other management advisors where deemed appropriate.

20.2 Legal Advisors - Auditors - Taxation Advisors

Any change to these advisors must be approved by the Board. The Managing Director may authorise specific advice to be taken from an advisor who is not deemed to be the official Corporate advisor.

20.3 Risk Management and Insurance

- (a) The responsibility for managing risk on a day-to-day basis is that of the management of each Business Operation.
- (b) Independent risk management audits of site operations are carried out regularly.
- (c) A report will be prepared annually for the Board reviewing the risk management and insurances of the Company.

20.4 Accounting Policies

Where there is no apparent express Company accounting policy, any Company accounting practice or policy can only be allowed with the approval of the Chief Financial Officer.

20.5 Initiation of or Participation in Litigation

- (a) Any unusual or sensitive litigation, such as litigation against a Government, appeal or a regulatory decision, litigation with possible sensitive reactions from major customers and suppliers, or litigation with sensitive public relations must be approved by the Managing Director before being actioned.
- (b) Notice of any legal action taken by an outside party against Company or any employees of the Company is to be given as soon as possible to the Managing Director or the Company Secretary.

20.6 Donations and Gifts

(a) Political Donations

No person other than the Board shall have authority to make donations to any political party, whether local, provincial or central. The Board has currently resolved that there will be no political donations.

(b) Giving (non political)

Corporate 'giving' that is aimed at the standing of the Company as a whole in the community is the responsibility of the Board and delegated to the Corporate Secretary.

SCHEDULE 1 - CONTINUOUS DISCLOSURE MEMORANDUM

Introduction

- 1.1 As a listed company, Hexima Limited (“**the Company**”) must notify the Australian Stock Exchange Limited (“**ASX**”) of price sensitive information, and must do so immediately it becomes aware of it, unless certain requirements are satisfied.
- 1.2 Price sensitive information is information that is not generally available and, if it were generally available, would have a material effect on the price or value of the Company’s securities.
- 1.3 Failure to notify the ASX of price sensitive information constitutes a breach of the Company’s obligations under the ASX Listing Rules and a contravention of the Corporations Act, exposing the Company and its Directors and executives who are involved, to a range of sanctions including fines, criminal charges or civil liability. It could also result in suspension of the Company’s securities from quotation or possible delisting.
- 1.4 The procedures set out in this Memorandum apply to all the Company’s personnel to ensure compliance by the Company with its continuous disclosure obligations.

2 Information required to be disclosed

- 2.1 The type of information required to be disclosed may include:
 - (a) change in financial forecasts or expectations;
 - (b) natural disasters or accidents that have particular relevance to the business of the Company;
 - (c) decisions of regulatory authorities in relation to the business of the Company;
 - (d) material information affecting the manufacture or supply of product;
 - (e) disclosure of a significant product liability claim or the settlement of such a claim;
 - (f) receiving a notice of intention to make a takeover for the Company;
 - (g) a significant development in major litigation to which the Company is a party;
 - (h) a change in accounting treatment adopted by the Company;
 - (i) the appointment or resignation of Directors of the Company; and
 - (j) any rating applied by a rating organisation to the Company, or its securities, or any change in that rating.
- 2.2 The above is not a definitive list and the Reporting Manager or Compliance Officer should always be informed if there is any doubt.

3 Exception to the disclosure rule

- 3.1 Disclosure is not required if **all** four of the following requirements are satisfied:
 - (a) the information must be such that a reasonable person would not expect it to be disclosed; and
 - (b) the information must be confidential; and
 - (c) one or more of the following apply:
 - (i) it would be a breach of a law to disclose the information;

- (ii) the information concerns an incomplete proposal or negotiation;
 - (iii) the information comprises matters of supposition or is insufficiently definite to warrant disclosure;
 - (iv) the information is generated for the internal management purposes of the Company; or
 - (v) the information is a trade secret; and
- (d) the ASX has not asked the Company to give it information to prevent a false market in the Company's securities.

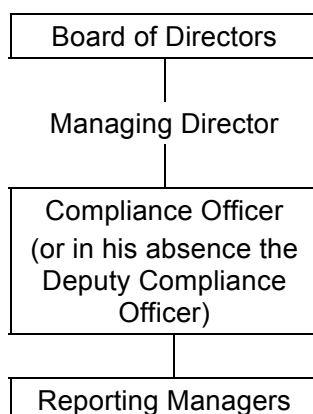
Disclosure can be avoided only if all four requirements are satisfied, and continue to be satisfied.

Ultimately, however, it is for the Compliance Officer, the Managing Director and Chairman to determine whether the above conditions are satisfied.

4 Reporting process

- 4.1 Any personnel becoming aware of any actual or potential price sensitive information must report it to his or her Reporting Manager immediately.
- 4.2 If the Reporting Manager is not available, the information must be reported to another senior person in the Company.
- 4.3 The Reporting Manager must immediately pass on the information to the Company's Compliance Officer or, in his absence, the Deputy Compliance Officer, who are as follows:
- Compliance Officer
 - Deputy Compliance Officer
- 4.4 Reports of price sensitive information can be made by telephone but must in all instances be followed up by a comprehensive written report.
- 4.5 All managers must keep up to date with all matters within their responsibility which may be or become material to the Company.

5 Reporting flow chart



6 Confidentiality

- 6.1 The price sensitive information must not be passed on to anyone outside of the Company before the ASX is notified and the Company receives an acknowledgment from the ASX that the information has been released to the market. Further, the information must not be passed on to anyone within the Company, other than the relevant Reporting Manager, the Compliance Officer, the Managing Director or the Chairman of Directors, unless the person concerned needs to know in order to do their job properly.
- 6.2 Any person who passes the information on improperly, may be committing a criminal offence.
- 6.3 If it is discovered that persons outside of the Company are aware of the information before the ASX has been notified, the Reporting Manager must be immediately informed, who must in turn notify the Compliance Officer (or if unavailable, the Deputy Compliance Officer).

**SCHEDULE 2 - NOTICE OF INTENTION TO BUY OR SELL
SECURITIES
IN HEXIMA LIMITED ("THE COMPANY")**

1 Dealing in securities

- 1.1 Dealing in the securities of the Company may take place at any time except during the following periods:
- (a) the period commencing 6 weeks prior to the release of the Company's half year results to the ASX and ending 24 hours after such release; or
 - (b) the period commencing 6 weeks prior to the release of the Company's year end results to the ASX and ending 24 hours after such release; or
 - (c) the period commencing 2 weeks prior to the Company's annual general meeting and ending 24 hours after the annual general meeting.

2 Price sensitive information

- 2.1 No dealing will be permitted even during the periods referred to above if a Director or employee has knowledge of price sensitive information that is not generally available, but if it was generally available, a reasonable person would expect it to have a material effect on the price or value of the Company's securities.

3 Approval of Company secretary

- 3.1 No dealing may be undertaken before this application receives the written approval of the Company Secretary.

4 Time frame

- 4.1 If your application is consented to by the Company, you must buy or sell the securities referred to in this notice within 14 days from the date that this application is granted. If the securities are not bought or sold within 14 days from the date that this application is granted, a new application must be lodged.

Please complete this application and forward it to the Company Secretary.

| | |
|------------------------------------|-----------------|
| Name of Applicant: | |
| Residential Address: | |
| Office or position in the Company: | |
| Type of transaction: | Sale / Purchase |
| Number of securities that are the | |

| | |
|--|----------|
| subject of the proposed transaction: | |
| Class of securities that are the subject of the proposed transaction: | |
| Will the transaction take place on a stock exchange: | YES / NO |
| If the transaction is not to take place on a stock exchange advise details of the transaction: | |
| Likely date of the transaction: | |

I HEREBY ACKNOWLEDGE that:

- 1 My decision to sell/purchase securities of the Company has not been made on the basis of information that is not generally available but, if the information was generally available, a reasonable person would expect it to have a material effect on the price or value of securities of the Company.
- 2 If I am purchasing securities, I do not intend to sell the securities within 6 months of the date of purchase.

I request the Company to approve the purchase/sale of the above securities.

Signed: _____

Date: _____

CONSENT

(For Completion by Officer Reviewing the Application)

I have reviewed the contents of this Application and now I give my consent to the proposed transaction described within this Application.

Signed: _____

Designation: _____

Date _____

SCHEDULE 3 - PRO-FORMA AGREEMENT - DISCLOSURE OF DIRECTORS' INTEREST

«Title» «LastName»
«Company»
«Address1»
«City» «State»
«Country»

Dear «FirstName»

Re: Hexima Limited – ASX Listing Rule 3.19B

From 1 January 2002, Hexima Limited (“**the Company**”) is required, under the Listing Rules of Australian Stock Exchange Limited (“**ASX**”), to disclose to ASX details of directors’ interests in securities, and in contracts relevant to securities. The Company is also required to enter into an agreement with directors under which directors are obliged to provide the necessary information to the entity.

If you agree to the following terms, please sign and return the **enclosed** copy of this letter.

Initial disclosure

- 1 You will provide the following information as at <<date>>.
 - (a) Details of all securities registered in your name. These details include the number and class of the securities.
 - (b) Details of all securities not registered in your name but in which you have a relevant interest within the meaning of section 9 of the Corporations Act. These details include the number and class of the securities, the name of the registered holder and the circumstances giving rise to the relevant interest.
 - (c) Details of all contracts (other than contracts to which the Company is a party) to which you are a party or under which you are entitled to a benefit, and that confer a right to call for or deliver shares in, debentures of, or interests in a managed investment scheme made available by the Company or a related body corporate. These details include the number and class of the shares, debentures or interests, the name of the registered holder if the shares, debentures or interests have been issued and the nature of your interest under the contract.
- 2 You will provide the required information as soon as reasonably possible after <<date>> and in any event no later than ten business days after <<date>>.

Ongoing disclosure

- 3 You will provide the following information.
 - (a) Details of changes in securities registered in your name other than changes occurring as a result of corporate actions by the Company. These details include the date of the change, the number and class of the securities held before and after the change, and the nature of the change, for example on-market transfer. You will also provide details of the consideration payable in connection with the

change, or if a market consideration is not payable, the value of the securities the subject of the change.

- (b) Details of changes in securities not registered in your name but in which you have a relevant interest within the meaning of section 9 of the Corporations Act. These details shall include the date of the change, the number and class of the securities held before and after the change, the name of the registered holder before and after the change, and the circumstances giving rise to the relevant interest. You will also provide details of the consideration payable in connection with the change, or if a market consideration is not payable, the value of the securities the subject of the change.
 - (c) Details of all changes to contracts (other than contracts to which the Company is a party) to which you are a party or under which you are entitled to a benefit, and that confer a right to call for or deliver shares in, debentures of, or interests in a managed investment scheme made available by the Company or a related body corporate. These details include the date of the change, the number and class of the shares, debentures or interests to which the interest relates before and after the change, the name of the registered holder if the shares, debentures or interests have been issued, and the nature of your interest under the contract.
- 4 You will provide the required information as soon as reasonably possible after the date of the change and in any event no later than three business days after the date of the change.

Final disclosure

- 5 You will provide the following information as at the date of ceasing to be a director.
- (a) Details of all securities registered in your name. These details include the number and class of the securities.
 - (b) Details of all securities not registered in your name but in which you have a relevant interest within the meaning of section 9 of the corporations Act. These details include the number and class of the securities, the name of the registered holder and the circumstances giving rise to the relevant interest.
 - (c) Details of all contracts (other than contracts to which the Company is a party) to which you are a party or under which you are entitled to a benefit, and that confer a right to call for or deliver shares in, debentures of, or interests in a managed investment scheme made available by the Company or a related body corporate. These details include the number and class of the shares, debentures or interests, the name of the registered holder if the shares, debentures or interests have been issued and the nature of the interest under the contract.
- 6 You will provide the required information as soon as reasonably possible after the date of ceasing to be a director and in any event no later than three business days after the date of ceasing to be a director.

Agency

- 7 You authorise the Company to give the information provided by yourself to ASX on your behalf and as your agent.

Securities

8 **“Securities”** for the purposes of this letter means securities of the Company or a related body corporation.

Very best regards

<<Company Secretary>>

Director

Date