ABN 79 000 248 304

Appendix 4D

Consolidated half-year report

For the half-year ended 31 December 2010
Compared to the half-year ended 31 December 2009

18 February 2011

Results for announcement to the market

	% up / (down)	Half-year to 31 December 2010 A$000's	Half-year to 31 December 2009 A$000's
Revenues (including commercialisation alliance income)	(98%)	426	17,708
(Loss) / Profit after tax	(327%)	(8,907)	3,925
Net (loss) / profit attributable to members	(327%)	(8,907)	3,925

No interim dividend has been declared for the current period, and no dividend was declared or paid for the previous year.

Net tangible assets (NTA) per share as at 31 December 2010: 2.12 cents per share. (2009: 4.01 cents per share)

The attached accounts have been reviewed by the independent auditor.

Commentary on the Group's operations for the six months to 31 December 2010 is included on pages 2 and 3 of this report.

Directors' Report

Your Directors submit their report for the half-year ended 31 December 2010.

DIRECTORS

The names of the Company's Directors in office during the half-year and until the date of this report are listed below. Directors were in office for the entire period unless otherwise stated.

Mr Brett Heading	BCom LLB (Hons) (Non-Executive Chairman)
Dr Greg Collier	BSc (Hons) PhD (Chief Executive Officer and Managing Director)
Mr Elmar Schnee	BCom MMktg (Non-Executive Director)
Dr Geoff Brooke	MBBS MBA (Non-Executive Director)
Mr Dan Janney	BA MBA (Non-Executive Director)
Dr George Morstyn	MBBS BMedSci MAICD PhD FRACP (Non-Executive Director)
Mr Jean-Luc Tétard	(Non-Executive Director)

REVIEW OF FINANCIAL RESULTS

The Group reported a loss of $8,907,117 for the half-year ended 31 December 2010 (2009: $3,924,061 profit). The loss reflects the group's continued expenditure on clinical and regulatory costs associated with its main anti-cancer compound, OMAPRO™ (omacetaxine mepesuccinate).

Income for the half-year ended 31 December 2010 was $426,499 (2009: $17,707,084). In the comparative half-year period, income included commercialisation receipts totalling $17,497,777, received as part of the license, development and commercialisation agreement entered into with Hospira, Inc. In the current half-year ended 31 December 2010 no additional commercialisation receipts were received.

REVIEW OF OPERATIONS

Achievements and significant events during the half-year ended 31 December 2010 included:

July 2010

Completion of Type A meeting with U.S. FDA

The Company held a Type A Meeting with the U.S. Food and Drug Administration (FDA) in relation to the Company's New Drug Application (NDA) for OMAPRO in Chronic Myeloid Leukemia (CML) patients who had failed imatinib and have the T315I mutation. The Company and the FDA agreed to a potential regulatory path to progress OMAPRO by combining data from two completed clinical studies and submitting a new NDA for OMAPRO in CML patients who have failed prior treatment with two or more currently approved tyrosine kinase inhibitors (TKIs), regardless of their mutation status.

October 2010

Completion of pre-NDA meeting with U.S. FDA

The Company completed a pre-NDA meeting with the U.S. FDA concerning the potential regulatory path to progress OMAPRO. The FDA agreed no further clinical trials were required to complete the NDA submission, however further data would be required to be collected from participating clinical centres.

Issue of convertible notes to Cephalon, Inc

The Company entered into a convertible note subscription deed with Cephalon, Inc. (through its wholly-owned subsidiary Cephalon International Holdings, Inc.) under which Cephalon subscribed for A$15 million of convertible notes (A$10 million issued in October 2010 and a further A$5 million issued in December 2010), convertible at A$0.50 per share.

In addition to the issue of convertible notes, Cephalon entered into option agreements with two of ChemGenex's major shareholders, Stragen International N.V. and Merck Santé S.A.S, to acquire a total of 56,386,425 shares, providing Cephalon with an immediate 'relevant interest' under the Corporations Act of 19.9% of ChemGenex's shares.

November 2010

Awarded US Therapeutic Discovery Grant

The Company's wholly owned subsidiary, ChemGenex Pharmaceuticals Inc. was awarded a US$244,479 Qualifying Therapeutic Discovery Grant issued by the U.S. Internal Revenue Service.

December 2010

Presentation of clinical data at the 52nd Annual American Society of Hematology ('ASH') Meeting in Orlando, Florida

The Company presented updated clinical data showing that OMAPRO produced durable hematologic and cytogenetic responses in a significant proportion of chronic phase CML patients who had failed two or three approved TKIs. Data were presented from 61 evaluable chronic phase CML patients (defined as those patients who had been adjudicated by an Independent Data Monitoring Committee and had a bone marrow report available for cytogenetic assessment). Highlights of the data were:

- Major cytogenetic response (MCyR) rate of 33% in patients who had failed two TKIs
- MCyR rate of 20% in patients that failed three TKIs

Data were presented from the complete group of 85 chronic phase CML patients analysed on an intent to treat (ITT) basis. Highlights of the data were:

- Overall MCyR rate of 20% with a median response duration of 7.4 months
- Overall complete haematological response (CHR) rate of 73% with a median duration of 8.2 months
- Median overall survival of 30 months

Investigators reported that Grade 3/4 treatment-emergent adverse events in the larger, 85 chronic phase ITT population, were infrequent and managed by decreasing the days of dosing per cycle.

ROUNDING

The amounts contained in the financial report have been rounded to the nearest $1,000 (unless otherwise stated) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

AUDITOR INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under the *Corporations Act 2001* is set out on page 5.

Directors' Report (continued)

SAFE HARBOR STATEMENT

Certain statements made herein that use the words "estimate", "project", "intend", "expect", "believe" and similar expressions are intended to identify forward-looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995. These forward-looking statements involve known and unknown risks and uncertainties which could cause the actual results, performance or achievements of the company to be materially different from those which may be expressed or implied by such statements, including, among others, risks or uncertainties associated with the development of the company's technology, the ability to successfully market products in the clinical pipeline, the ability to advance promising therapeutics through clinical trials, the ability to establish our fully integrated technologies, the ability to enter into additional collaborations and strategic alliances and expand current collaborations and obtain milestone payments, the suitability of internally discovered genes for drug development, the ability of the company to meet its financial requirements, the ability of the company to protect its proprietary technology, potential limitations on the company's technology, the market for the company's products, government regulation in Australia and the United States, changes in tax and other laws, changes in competition and the loss of key personnel. These statements are based on our management's current expectations and are subject to a number of uncertainties that could change the results described in the forward-looking statements. Investors should be aware that there are no assurances that results will not differ from those projected.

Signed in accordance with a resolution of the Directors.

Dr. Greg Collier
Managing Director
18 February 2011

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Auditor's Independence Declaration to the Directors of ChemGenex Pharmaceuticals Limited

In relation to our review of the financial report of ChemGenex Pharmaceuticals Limited for the half-year ended 31 December 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Don Brumley
Partner
18 February 2011

Consolidated Statement of Comprehensive Income

HALF-YEAR ENDED 31 DECEMBER	Note	CONSOLIDATED 2010 $000's	2009 $000's
Sales royalties	5(a)	-	129
Cost of goods sold		-	(18)
GROSS PROFIT		-	111
Commercialisation alliance income	5(b)	-	17,498
Finance income	5(c)	122	65
Other income	5(d)	304	16
Research and development expenses		(4,512)	(6,746)
Commercial expenses		(356)	(950)
Employee benefits expense		(2,864)	(3,383)
Administration expenses		(1,632)	(2,272)
Foreign exchange benefit / (loss)		352	(227)
Finance costs	5(e)	(190)	-
Depreciation		(66)	(60)
(LOSS) / PROFIT BEFORE INCOME TAX		(8,842)	4,052
Income tax expense		(65)	(127)
(LOSS) / PROFIT AFTER INCOME TAX		(8,907)	3,925
OTHER COMPREHENSIVE INCOME			
Foreign currency translation		(2,222)	(1,161)
OTHER COMPREHENSIVE (EXPENSE) FOR THE PERIOD, NET OF TAX		(2,222)	(1,161)
TOTAL COMPREHENSIVE (EXPENSE) / INCOME FOR THE PERIOD		(11,129)	2,764
(Loss) / Profit for the period is attributable to owners of the parent		(8,907)	3,925
Total comprehensive (expense) / income for the period is attributable to owners of the parent		(11,129)	2,764
Loss per share to the ordinary equity-holders of the parent			
Basic loss per share (cents per share)		3.14	1.38
Diluted loss per share (cents per share)		3.14	1.38

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

AS AT	Notes	CONSOLIDATED 31 DEC 2010 $000's	CONSOLIDATED 30 JUN 2010 $000's
CURRENT ASSETS			
Cash and cash equivalents		18,511	12,802
Trade and other receivables		44	98
Income tax receivable		36	13
Prepayments		327	412
TOTAL CURRENT ASSETS		18,918	13,325
NON-CURRENT ASSETS			
Available for sale financial assets		7	7
Plant and equipment		191	255
Deferred tax assets		29	-
Intangible assets and goodwill	8	57,439	58,361
TOTAL NON-CURRENT ASSETS		57,666	58,623
TOTAL ASSETS		76,584	71,948
CURRENT LIABILITIES			
Trade and other payables		2,579	2,256
Employee entitlements		389	387
TOTAL CURRENT LIABILITIES		2,968	2,643
NON-CURRENT LIABILITIES			
Employee entitlements		105	99
Convertible notes	7	10,028	-
TOTAL NON-CURRENT LIABILITIES		10,133	99
TOTAL LIABILITIES		13,101	2,742
NET ASSETS		63,483	69,206
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		164,599	164,599
Retained losses		(122,903)	(113,996)
Other reserves		21,787	18,603
TOTAL EQUITY		63,483	69,206

Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER	Notes	CONSOLIDATED 2010 $000's	CONSOLIDATED 2009 $000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Commercialisation alliance and service agreement receipts		85	13,382
Sales royalties received from customers		-	189
Government grants received		259	-
Payments to suppliers and employees		(8,525)	(12,597)
Income taxes paid		(121)	-
NET CASH FLOWS (USED IN) / FROM OPERATING ACTIVITIES		(8,302)	974
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		136	65
Purchase of plant and equipment		(28)	(54)
NET CASH FLOWS FROM INVESTING ACTIVITIES		108	11
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of convertible notes	7	15,000	-
Transaction cost on issue of convertible notes		(147)	-
Proceeds from issues of shares		-	251
Transaction cost of issue of shares		-	(10)
NET CASH FLOWS FROM FINANCING ACTIVITIES		14,853	241
Net increase in cash and cash equivalents		6,659	1,226
Net foreign exchange differences		(950)	(147)
Cash and cash equivalents at beginning of period		12,802	17,655
CASH AND CASH EQUIVALENTS AT END OF PERIOD		18,511	18,734

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

FROM 30 JUNE 2010 TO 31 DECEMBER 2010		CONSOLIDATED								
			Reserves							
		Issued Capital $000's	Capital Profits $000's	Asset Revaluation $000's	Option Premium $000's	Foreign Currency Translation $000's	Equity Options $000's	Convertible Note $000's	Retained Losses $000's	Total Equity $000's
At 30 June 2010		164,599	649	150	10,864	(1,956)	8,896	-	(113,996)	69,206
Loss for six months ended 31 December 2010		-	-	-	-	-	-	-	(8,907)	(8,907)
Other comprehensive income		-	-	-	-	(2,222)	-	-	-	(2,222)
Total comprehensive income for the period		-	-	-	-	(2,222)	-	-	(8,907)	(11,129)
Transactions with owners in their capacity as owners										
Convertible note issue, net of costs	(i)	-	-	-	-	-	-	5,015	-	5,015
Share-based payments	(ii)(iii)	-	-	-	-	-	391	-	-	391
At 31 December 2010		164,599	649	150	10,864	(4,178)	9,287	5,015	(122,903)	63,483

(i) On 22 October 2010, the Company entered into a convertible note subscription deed with Cephalon, Inc. (through its wholly-owned subsidiary Cephalon International Holdings, Inc) under which Cephalon, Inc. subscribed for $15 million of convertible notes ($10 million issued on 26 October 2010 and a further $5 million issued on 23 December 2010), convertible at $0.50 per share. Refer to Note 7 for further details.

(ii) During the six months to 31 December 2010, 11,096,281 ESOP options with exercise prices ranging from $0.305 to $0.475 were issued to new and existing employees. These ESOP options have vesting dates from ranging from 31 March 2011 through to 30 November 2014 and maturity dates ranging from 30 November 2014 through to 30 November 2015.

(iii) During the six months to 31 December 2010, 1,832,500 ESOP options lapsed.

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes

Consolidated Statement of Changes in Equity (continued)

FROM 30 JUNE 2009 TO 31 DECEMBER 2009		CONSOLIDATED							
			Reserves						
		Issued Capital $000's	Capital Profits $000's	Asset Revaluation $000's	Option Premium $000's	Foreign Currency Translation $000's	Equity Options $000's	Retained Losses $000's	Total Equity $000's
At 30 June 2009		164,163	649	150	10,864	(1,281)	7,184	(107,978)	73,751
Profit for six months ended 31 December 2009		-	-	-	-	-	-	3,925	3,925
Other comprehensive income		-	-	-	-	(1,161)	-	-	(1,161)
Total comprehensive income for the period		-	-	-	-	(1,161)	-	3,925	2,764
Transactions with owners in their capacity as owners									
Shares issued, net of costs	(i)	241	-	-	-	-	-	-	241
Share-based payments	(ii)(iii)	-	-	-	-	-	1,297	-	1,297
At 31 December 2009		164,404	649	150	10,864	(2,442)	8,481	(104,053)	78,053

(i) During the 6 months to 31 December 2009, 550,798 ordinary shares were issued upon the exercise of options, raising $251,150 in equity capital. In total 550,000 ESOP options were exercised, 324 CXSO options were exercised (exercise price $1.18), and 474 CXSOA options (exercise price $0.68) were exercised.

(ii) During the 6 months to 31 December 2009 5,149,500 ESOP options lapsed.

(iii) On 14 July 2009, 2,376,000 ESOP options with an exercise price of $0.585 were issued to Mr Thomas DeZao. On 17 December 2009 600,000 ESOP options with an exercise price of $0.78 were issued to newly appointed staff. At the Annual General Meeting on November 30, 2009 shareholders approved the issue of 2,180,000 options under deed (exercise price $0.43) to the CEO, Dr Greg Collier. These options were issued on 17 December 2009.

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes

Notes to the consolidated financial statements

For the half-year ended 31 December 2010

1. CORPORATE INFORMATION

The financial report of ChemGenex Pharmaceuticals Limited ("ChemGenex" or "Company" or "Group") for the half-year ended 31 December 2010 was authorised for issue in accordance with a resolution of the Directors on 18 February 2011.

ChemGenex is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX").

On 8 July 2009, the Company completed its filing for a voluntary de-listing from the NASDAQ Capital Market ("NASDAQ"). Following delisting on 20 July 2009, the Company's American Depositary Shares ("ADSs") continue to trade as a Level 1 program in the "over the counter" market.

The nature of the operations and principal activities of ChemGenex are described in Note 3.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of Preparation

This general purpose condensed financial report for the half-year ended 31 December 2010 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

The half-year financial report should be read in conjunction with the annual financial report of ChemGenex Pharmaceuticals Limited as at 30 June 2010.

It is also recommended that the half-year financial report be considered together with any public announcements made by ChemGenex Pharmaceuticals Limited and its controlled entities during the half-year ended 31 December 2010 in accordance with the continuous disclosure obligations of the ASX listing rules.

The financial report is presented in Australian dollars.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Changes in accounting policy

The following amending Standards have been adopted from 1 July 2010. Adoption of these Standards did not have any effect on the financial position or performance of the Group:

- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project
- AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions
- Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments
- AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project

The Group has not elected to early adopt any other new Standards or amendments that are issued but not yet effective.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Inherent uncertainty regarding going concern

This half-year financial report has been prepared on a going concern basis, which assumes sufficient funding from capital raising, non-equity funding of operations, partnership agreements or, if necessary, action to realise asset value in the ordinary course of business.

Further details of the assumptions used in making this assessment are set out in the following paragraphs.

In common with other biotechnology and drug development companies the Group's operations are subject to considerable risks and significant uncertainty due primarily to the nature of the development and commercialisation undertaken. To allow the Group to execute its near term and longer term plans, it may be necessary to raise additional capital in the future.

Since commencing biotechnology activities in June 1996 the Group has experienced recurring net losses and negative cash flows from operations. At 31 December 2010, the Group had accumulated losses of $122,902,545 and recorded a net loss of $8,907,117 and negative cash flows from operations of $8,301,706 for the six months ended 31 December 2010.

Despite the issue of $15 million of convertible notes during the half-year to 31 December 2010 the costs associated with the anticipated commercial launch of OMAPRO (omacetaxine) in the U.S. are expected to be substantial and therefore casts uncertainty on the Group's ability to continue as a "going concern" for a further twelve months as defined in current accounting standards.

Based on anticipated cash flow requirements of the Group's proposed commercialisation and ongoing research and development activities, the Directors consider that the Group will secure sufficient funds to support operations and will manage the availability of resources over an extended period of time.

The Group has a strong history of capital raisings however the Directors cannot be certain of the Group's ability of success in the above initiatives, as these activities are dependent on future events. From 1 July 1996 the Group has raised approximately $124 million (including $85 million since 1 July 2005) from the issue of equity securities and convertible notes. In addition, since 1 July 1996, the Group has received approximately $44 million from its pharmaceutical partners pursuant to collaboration and licensing agreements, including, most recently $17.5 million from Hospira Inc. for the commercial rights for omacetaxine in Europe, the Middle East and parts of Africa.

The Directors plan to continue the Group's operations on the basis of the matters referred to above, and believe that future fund raising activities and the value of the Group's existing net assets will generate sufficient funds for the Group to continue to operate in its normal manner. In the event that such arrangements are not entered into or are not successful, there is uncertainty whether the Group will be able to continue as a going concern and, therefore, whether the Group will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

No adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or classification of liabilities that might be necessary should the Group not continue as a going concern.

3. SEGMENT INFORMATION

The Group's operations are centred solely in oncology research with its head office in Geelong, Australia, providing corporate administration duties and offices in Menlo Park, U.S., focussing on research, development and clinical trials.

As the Group operates only in one segment, oncology research, further segment disclosures are not required.

4. DIVIDENDS PAID AND PROPOSED

No dividends have been paid or proposed during the six months ended 31 December 2010. (2009: Nil).

5. REVENUES, INCOME AND EXPENSES

	Notes	CONSOLIDATED 2010 $000's	CONSOLIDATED 2009 $000's
(a) Sales royalties			
Sales	(i)	-	129
		-	129
(b) Commercialisation alliance income	(i)	-	17,498

(i) On 6 December 2009 the Group entered into an exclusive agreement with Hospira, Inc ("Hospira") to license, develop and commercialise omacetaxine in Europe, the Middle East and parts of Africa (the Territory). Under the terms of the agreement, Hospira made an initial payment and milestone payment totalling $17,497,777 during the financial year. ChemGenex Pharmaceuticals Ltd will receive performance milestone payments based on the successful development and commercialisation of omacetaxine and following successful commercialisation, Hospira will pay ChemGenex a royalty on product sales in the Territory. Hospira will have responsibility for commercialising omacetaxine in the Territory. From 1 April 2010 Hospira receives consideration for product sales in the Territory (that were formerly received by the Company) and as a result no sales royalties were received by the Company for the six months ended 31 December 2010.

(c) Finance income			
Bank interest received		122	65
(d) Other income			
Government grants	(i)	269	-
Other		35	16
		304	16

(i) The Company's wholly owned subsidiary, ChemGenex Pharmaceuticals Inc. was awarded a US$244,479 Qualifying Therapeutic Discovery Grant issued by the U.S. Internal Revenue Service.

(e) Finance costs			
Interest on convertible notes	(i)	190	-

(i) The convertible notes are non-interest bearing. The interest represents the unwinding of the present value of the convertible note to the maturity date, 26 October 2013. Refer to Note 7 for further information on the convertible notes.

6. COMMITMENTS AND CONTINGENCIES

The only changes to the commitments and contingencies disclosed in the most recent annual financial report are specified below.

Research expenditure commitments

At 31 December 2010 the Group had commitments of $2,912,489 (30 June 2010: $2,111,000) relating to the research activities with omacetaxine phase 2/3 clinical trials for CML patients and associated drug product.

Property lease commitments

At 31 December 2010 the Group had commitments of $734,996 (30 June 2010: $1,034,000) relating to the property lease agreements.

7. SIGNIFICANT TRANSACTIONS AND EVENTS

Issue of convertible notes to Cephalon, Inc

On 22 October 2010, the Company entered into a convertible note subscription deed with Cephalon, Inc. (through its wholly-owned subsidiary Cephalon International Holdings, Inc) under which Cephalon subscribed for 15,000,000 $1 Convertible Notes (10,000,000 issued on 26 October 2010 and a further 5,000,000 issued on 23 December 2010), convertible at $0.50 per share.

The Convertible Notes are non-interest bearing and repayable three years after the issue date, being 26 October 2013 ('repayment date'). The Convertible Notes are redeemable by Cephalon if the Company does not use reasonable endeavours to ensure the data collection process, as agreed with Cephalon, is undertaken and completed by 31 March 2011.

Cephalon has the right to convert the Convertible Notes into ordinary shares at any time prior to the repayment date. The Company may convert the Convertible Notes to ordinary shares at $0.50 per share prior to the repayment date subject to (i) the data collection process, as defined in the convertible note subscription deed, is completed in accordance with the specified timetable, and (ii) no event of default having occurred prior to the completion of the data collection process.

In accordance with Accounting Standards, the Convertible Notes have been split into liability and equity components. The liability and equity components comprise $9,838,014 and $5,015,127 respectively after taking into account transaction costs incurred. The liability was determined by discounting the face value of the Convertible Notes at the effective market interest at the date of issue. The residual value has been classified to equity.

8. GOODWILL AND INTANGIBLE ASSET IMPAIRMENT TESTING

The goodwill of $14,618,484 and intellectual property of $42,820,644 relates to one cash generating unit, being anti-cancer compounds.

In accordance with Australian Accounting Standards goodwill and indefinite life intangibles are required to be tested annually for impairment, or more frequently should indicators exist. The Group has assessed whether any impairment indicators were triggered during the half-year period and concluded that no triggers have occurred. As a result, impairment testing was not required to be undertaken for the six months to 31 December 2010. As noted in the 30 June 2010 annual financial report an independent valuation was performed on the Group's goodwill and intellectual property which will again be subject to annual review as at 30 June 2011 in line with our impairment policy for intangibles.

As a result no impairment loss has been recognised for the six months ended 31 December 2010.

9. EVENTS AFTER THE BALANCE SHEET DATE

On 5 January 2011, the Company announced the withdrawal of its current Marketing Authorization Application (MAA) for CML patients who have failed imatinib therapy and have the T315I mutation. In parallel ChemGenex has informed the European Medicines Agency that it intends to submit a new MAA for CML patients who have failed therapy with two or more tyrosine kinase inhibitors with a planned submission of the MAA in H2 2011.

On 10 February 2011, shareholders at a general meeting approved the issue of 4,578,667 options to Dr Greg Collier, each to acquire one share in the Company at a price of $0.475 per share. The options vest on 30 November 2014 and expire on 30 November 2015.

No matters or circumstances have arisen since the end of the reporting period which have significantly affected, or may significantly affect, the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial periods.

10. RELATED PARTY TRANSACTIONS

Assets and Liabilities	Dec 2010 $000's	Jun 2010 $000's
Assets		
Trade receivables[1]	-	-
Total Assets	-	-
Liabilities		
Trade and other payables[2,3]	10	138
Total Liabilities	10	138

Revenues and Expenses	6mths ended 31 Dec 2010 $000's	6mths ended 31 Dec 2009 $000's
Revenues		
Sales royalties[1]	-	129
Total Revenues	-	129
Expenses		
Legal services provided[3]	103	222
Manufacturing and consulting services provided[2]	1,176	1,221
Total Expenses	1,279	1,443

[1]During the six months ended 31 December 2009 sales royalties to the value of $128,600 were earned from Stragen France, a pharmaceutical corporation of which Mr J.-L. Tétard, a Director of ChemGenex Pharmaceuticals Limited, is part-owner. Following the exclusive agreement with Hospira to license, develop and commercialise omacetaxine in greater Europe no sales royalties were received during the six months ended 31 December 2010 and as a result no amounts were owed at balance date.

[2]During the six months ended 31 December 2010 manufacturing and consulting services to the value of $1,176,267 (2009: $1,220,599) were provided by the Stragen Group (including, but not limited to Stragen Pharma and Stragen France), a pharmaceutical corporation of which Mr J.-L. Tétard, a Director of ChemGenex Pharmaceuticals Limited, is a part owner. Transactions were entered into on normal commercial terms. As at 30 June 2010, no amounts are owing to the Stragen Group (30 June 2010: $122,836).

[3]During the six months ended 31 December 2010 legal services to the value of $102,582 (2009: $222,373) were provided by McCullough Robertson solicitors, a legal firm of which Mr J.B.L. Heading, a Director of ChemGenex Pharmaceuticals Limited, is a partner. Transactions were entered into on normal commercial terms. As at 31 December 2010, $10,472 is owing to McCullough Robertson (30 June 2010: $14,962).

Directors' Declaration

In accordance with a resolution of the directors of ChemGenex Pharmaceuticals Limited, I state that:

In the opinion of the directors:

(a) The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the financial position as at 31 December 2010 and the performance for the half-year ended on that date of the consolidated entity; and

(ii) Complying with Accounting Standard *AASB 134 "Interim Financial Reporting"* and the *Corporations Regulations 2001*

(b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the board

Dr. G. Collier
Managing Director
Geelong
18 February 2011

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Independent auditor's review report

To the members of ChemGenex Pharmaceuticals Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of ChemGenex Pharmaceuticals Limited, which comprises the statement of financial position as at 31 December 2010 and statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes: establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that it is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of ChemGenex Pharmaceuticals Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Independent auditor's review report (continued)

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of ChemGenex Pharmaceuticals Limited is not in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

(ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Inherent uncertainty regarding going concern

Without qualification to the opinion expressed above, attention is drawn to the following matter.

As outlined in Note 2 to the financial statements, in common with other drug development biotechnology companies, the operations of the consolidated entity are subject to considerable risks due primarily to the nature of the drug development and commercialisation being undertaken.

In addition, in order for the consolidated entity to execute its longer term plans, it will be necessary to raise additional funds in the future. The Directors cannot be certain of the success of any intended fund raising or the success of any product development or commercialisation. As a result of these factors and unless the initiatives described in Note 2 are achieved there is significant uncertainty whether the consolidated entity will be able to continue as a going concern, and, therefore, whether the consolidated entity will be able to realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Ernst & Young

Don Brumley
Partner
Melbourne
18 February 2011

Corporate Information

ABN 79 000 248 304

DIRECTORS

J.B.L. Heading (Chairman)
Dr G.R. Collier (Chief Executive Officer and Managing Director)
E.J. Schnee
Dr G.E.D. Brooke
D.S. Janney
Dr G Morstyn
J. Tétard

COMPANY SECRETARY

Dr J.A. Campbell

REGISTERED OFFICE

C/- LBW Chartered Accountants
35 Gordon Avenue
Geelong West, Vic 3218

SHARE REGISTER

Link Market Services
Level 15
324 Queen Street
Brisbane, Qld 4000
Phone: 1300 554 474

STOCK EXCHANGE

Australia
ChemGenex Pharmaceuticals Limited shares (CXS) and options (CXSO) are quoted on the Australian Securities Exchange (ASX).

United States
ChemGenex Pharmaceuticals Limited shares (CXSPY) are also quoted on the OTC Market.
Level 1 American Depository Receipts (ADRs)
The Bank of New York Mellon Corporation
One Wall Street
New York, NY 10286

INTERNET ADDRESS

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