FOR IMMEDIATE RELEASE

Appendix 4E and Preliminary Financial Report for the year ended 30 June 2010

Melbourne, Australia (27th August 2010)

Attached for release to the market is ChemGenex Pharmaceuticals Limited's (ASX: CXS) Appendix 4E and Preliminary Financial Report for the year ended 30 June 2010.

The consolidated net loss after tax was $6.0m for the year ended 30 June 2010 (2009 loss after tax: $25.9m). The significant improvement is reflective of the $17.5m income received from Hospira, Inc. in consideration for licensing, developing and commercialising omacetaxine in Europe, the Middle East and parts of Africa.

The cash balance at 30 June 2010 was $12.8m. Operating cash outflow was $4.8m for the financial year.

For further details refer to the attached Appendix 4E and Preliminary Financial Report.

Yours faithfully

James Campbell

Company Secretary

ChemGenex Pharmaceuticals Ltd

Appendix 4E: Preliminary Final Report

Year ended 30 June 2010

Lodged with the ASX under listing rule 4.3A
Previous corresponding period: 30 June 2009

Results for announcement to the market

				$000's
Revenue from ordinary activities *(Appendix 4E Item 2.1)*	Up	1,003%	to	18,253
Loss from ordinary activities after tax *(Appendix 4E Item 2.2)*	Down	77%	to	6,018
Loss for the period attributable to members *(Appendix 4E Item 2.3)*	Down	77%	to	6,018

Dividends *(Appendix 4E Item 2.4 and 2.5)*

No dividends were declared or paid for the current financial year. No dividends were declared or paid for the previous financial year.

Revenue *(Appendix 4E Item 2.6)*

Revenue consisted of sales, interest received and commercialisation receipts received from Hospira, Inc. Refer to note 4 in the audited Preliminary Financial Report for the year ended 30 June 2010 which follows this announcement.

Loss *(Appendix 4E Item 2.6)*

The consolidated net loss after tax was $6.0m for the year ended 30 June 2010 (2009 loss after tax: $25.9m). The significant improvement is reflective of the $17.5m income received from Hospira, Inc. in consideration for licensing, developing and commercialising omacetaxine in Europe, the Middle East and parts of Africa. The loss reflects the continued expenditure on clinical trials and regulatory costs associated with its main anti-cancer compound, OMAPRO™ (omacetaxine).

Refer to 'Operating and Financial Review' section of the Director's Report contained in the attached audited Preliminary Financial Report for the year ended 30 June 2010 which follows this announcement.

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Email: chemgenex@chemgenex.com ABN 79 000 248 304

Financial Statements *(Appendix 4E Item 3, 4 and 5)*

Refer to Preliminary Financial Report which follows this announcement.

Retained Earnings / Accumulated Losses *(Appendix 4E Item 8)*

Refer to Statement of Changes in Equity contained in the Preliminary Financial Report which follows this announcement.

Net Tangible Assets *(Appendix 4E Item 9)*

	30 June 2010 cents	30 June 2009 cents
Net tangible assets per security	3.9	5.3

Other Significant Information *(Appendix 4E Item 12)*

Refer to Preliminary Financial Report which follows this announcement.

Commentary on Results *(Appendix 4E Item 14)*

Refer to Preliminary Financial Report which follows this announcement.

Auditor's Report *(Appendix 4E Items 15 - 17)*

The audit of the Preliminary Financial Report has been completed and the audit report is provided with the Preliminary Financial Report.

Appendix 4E items 6, 7, 10, 11 and 13 are not applicable.

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Contents

Directors' Report

Your Directors submit their report for the year ended 30 June 2010.

Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Brett Heading BCom LLB (Hons) (Non-executive Chairman)

Mr Heading is an experienced corporate lawyer and is chairman of McCullough Robertson lawyers. He specialises in capital raisings, mergers and acquisitions and board advice. He has a wide ranging client base including emerging companies in the biotechnology and agribusiness sectors. Mr Heading is a Director of Trinity Ltd. Mr Heading is a member of the Company's Remuneration Committee. Age 54.

Dr Greg Collier BSc (Hons) PhD (Chief Executive Officer and Managing Director)

Dr. Collier joined ChemGenex in 2000 as Chief Operating Officer and was promoted to Chief Executive Officer in June 2002. He has more than 21 years experience spanning commercial, operational, clinical and scientific aspects of pharmaceutical research and development, and is a regular invited speaker at international research and biotechnology conferences. Under Dr. Collier's guidance ChemGenex has aggressively focused on the Company's progression to clinical development and eventual marketing approval of lead agents. Dr. Collier has a detailed understanding of both the developmental and managerial drivers of value in the biotech industry, and has overseen numerous partnering deals, an international merger, and a major business unit demerger. Age 52.

Elmar Schnee BCom MMktg (Non-executive Director)

Mr Schnee held management positions in marketing and sales in the consumer goods industry before commencing in the pharmaceuticals industry in 1988. Following senior appointments with Fisons Pharmaceuticals PLC, Migliara/Kaplan Associates, Sanofi-Synthelabo and UCB Pharma he took a directorship position at Merck subsidiary Merck Santé S.A.S in May 2003. In addition to his duties at the French subsidiary, he took on responsibility for the global operations of the Ethicals division in January 2004 and was named Head of the Ethicals division in 2005. In November 2005 Mr Schnee was appointed Deputy Member of the Executive Board and Head of the Pharmaceuticals business sector. In 2006 he was appointed Regular Member of the Executive Board and General Partner of Merck KGaA, and in 2007 Mr Schnee was appointed the inaugural CEO of Merck Serono SA. Mr Schnee was also a non-executive Director of Arpida AG until 10 December 2009. Age 51.

Dr Geoff Brooke MBBS MBA (Non-executive Director)

Dr. Brooke is Managing Director of GBS Venture Partners and has more than 20 years of venture capital experience. He was formerly President of Medvest Inc, a US-based early stage venture capital group he co-founded with Johnson & Johnson. Dr. Brooke's experience includes company formation and acquisitions, as well as public listings on both NASDAQ and ASX. Dr. Brooke is a Director of Sunshine Heart Inc and a former Director of CogState. Dr. Brooke is a member of the Company's Audit Committee and a member of the Company's Remuneration Committee. Age 54.

Dan Janney BA MBA (Non-executive Director)

Mr Janney joined Alta Partners immediately following the firm's founding in 1996, and was a co-founder of the Alta BioPharma effort. Mr Janney focuses on investments in biopharmaceutical products and therapeutics and has been directly involved in the funding and development of over 25 life sciences companies. Prior to joining Alta Partners he was a senior investment banker at Montgomery Securities focusing on life sciences companies. Mr Janney was a Director of public companies CoTherix Inc. (April 2001 to January 2007), Dynavax Technologies Corporation (December 1996 to December 2006) and Anesiva Inc. (November 2000 to December 2005; February 2008 to January 2010). Mr Janney is Chair of the Company's Remuneration Committee and a member of the Company's Audit Committee. Age 44.

Dr George Morstyn MBBS BMedSci MAICD PhD FRACP (Non-executive Director)

Dr. Morstyn has substantial clinical, research and commercial experience in biotechnology and oncology. He is a former Head of the Clinical Program of the Ludwig Institute of Cancer Research (Melbourne Branch) and held a number of positions including Senior Vice President of Development and Chief Medical Officer at Amgen Inc. from 1991 to 2002. He was a Director of Bionomics until 2006. He is a Director of Proacta Limited, Amsterdam Molecular Therapeutics (until July 2010) and Nuprotect, and Chairman of the Board of GBS Venture Partners. He is also a Board member and Chairman of the SAB Symbio (Japan) and Deputy Chairman of the Joint Venture Board of the Victorian Comprehensive Cancer Centre. Dr Morstyn is Chair of the Company's Audit Committee. Age 59.

Directors' Report

Jean-Luc Tétard (Non-executive Director)

Mr Tétard is the Chief Executive Officer of Stragen Pharma and Stragen Chemical. Mr Tétard has more than 35 years of experience in the chemicals and pharmaceuticals industries. He spent 17 years in the development of SANOFI's chemical division as a Director where he was in charge of 5 chemical manufacturing plants worldwide. He then created Stragen to develop APIs and a range of generic drugs mainly in antibiotics, hormones and cancer drugs. Age 65.

Dr Dennis Brown BSc MA PhD (Executive Director, resigned 21 July 2009)

Dr. Brown has over 26 years experience in the biotechnology and biopharmaceutical industries with specific experience in cancer research and product development. Dr. Brown received his PhD. degree from New York University, and held academic positions at Stanford University and Harvard University Medical School prior to beginning his industry career. Dr. Brown was a co-founder of Matrix Pharmaceutical Inc. and was the scientific founder of ChemGenex Therapeutics Inc. in 1999. Age 61.

Donald Santel MS BSE (Non-executive Director, resigned 21 July 2009)

Mr Santel has 25 years experience in management, development and marketing with life sciences companies. Mr Santel was a co-founder, Chief Executive Officer and Director of CoTherix Inc. from 2000 to 2007. Prior to CoTherix Inc. he held senior positions with Reflow Inc., Cardiac Pathways Corporation and Medtronic. Inc. Mr Santel is the CEO of Hyperion Therapeutics, a privately held specialty biopharmaceutical company dedicated to improving patients' lives through the development and commercialisation of therapies in the areas of gastroenterology and hepatology. Mr Santel serves on the Board of a number of private companies. Age 49.

Dr Julie Cherrington BSc MS PhD (Non-executive Director, resigned 21 July 2009)

Dr. Cherrington has substantial research, drug development, and management experience in the biotechnology industry. She previously held senior management and research/development positions with Phenomix Corporation, SUGEN, Inc. (a wholly owned subsidiary of Pharmacia) and Gilead Sciences. Her research and development expertise includes virology, oncology and diabetes. Dr. Cherrington is a member of AACR (American Association for Cancer Research), ASCO (American Society of Clinical Oncology), ASH (American Society of Hematology) and ADA (American Diabetes Association). Dr. Cherrington is on the Board of Xenome Limited and the Clearity Foundation, a non-profit organization dedicated to the treatment of ovarian cancer. Age 52.

Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the Directors in the shares and options of ChemGenex Pharmaceuticals Limited were:

	Number of ordinary shares	Number of options over ordinary shares^
J.B.L. Heading	131,562	253,333
Dr. G.R. Collier	410,143	3,380,000
E. J. Schnee	24,057,922*	4,689,308*
Dr. G.E.D. Brooke	21,942,255*	2,986,065*
D.S. Janney	42,672,641*	6,338,053*
Dr. G. Morstyn	41,375	250,000
J. Tétard	37,235,343*	250,000

*Includes shares and options held by entities in which Messers Schnee (Merck Santé), Brooke (GBS Venture Partners), Janney (Alta Partners) and Tétard (Stragen Pharma N.V.) hold directorships.

^Each Director holds 250,000 options directly excluding directorships.

Directors' Report

Company Secretary

Dr James Campbell BSc PhD MBA
Dr. Campbell joined ChemGenex in 2002 as Chief Operating Officer and was appointed Chief Financial Officer and Company Secretary in May 2009. He has more than 20 years of international experience in scientific research, research management, management consulting and venture capital. Dr. Campbell held research positions at the CNRS and the CSIRO, and after completing an MBA worked for the international management consultancy Booz Allen Hamilton. Dr. Campbell later joined the University of Melbourne, where he was instrumental in the spin-out of four biotechnology companies. Dr. Campbell has sat on the investment committees of several biotechnology venture capital funds and a Victorian state government biotechnology advisory committee.

Loss per share

Basic loss per share (cents per share) 2.13 (2009: 10.75)
Diluted loss per share (cents per share) 2.13 (2009: 10.75)

Dividends

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of dividend since the end of the previous financial year and up to the date of this annual report.

Corporate structure

ChemGenex Pharmaceuticals Limited is a company limited by shares that is incorporated and domiciled in Australia. ChemGenex Pharmaceuticals Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year; ChemGenex Pharmaceuticals Inc. and ChemGenex Europe SAS. Both ChemGenex Pharmaceuticals Inc. and ChemGenex Europe SAS were 100% owned by ChemGenex Pharmaceuticals Limited for the entire financial year.

Principal activities

ChemGenex Pharmaceuticals Limited ("ChemGenex") is an integrated biopharmaceutical development company with expertise in the discovery and the development of oncology drugs. There have been no significant changes in the nature of the company's activities during the year.

Employees

The consolidated entity employed 19 employees as at 30 June 2010 (2009: 16 employees).

Operating and financial review

History and development of ChemGenex

The Company was founded in September 1958 as N & B Finance and Development Corporation. It was renamed the Kingsway Finance Group in August 1964 and then became Australia Wide Industries Limited in May 1986. Australia Wide Industries Limited listed on the Australian Stock Exchange ("ASX") in July 1986 and operated for ten years as a listed mining and exploration company (ASX: AWI). The Company commenced biotechnology activities in July 1996 and changed its name to Autogen Limited (ASX: AGT) in May 1999. Autogen Limited, in turn, changed its name to AGT Biosciences Limited in March 2003 and then to ChemGenex Pharmaceuticals Limited (ASX: CXS) in June 2004. Biotechnology remains the focus of the Company's activities.

The Company in its present form is the result of the merger of AGT Biosciences Limited and ChemGenex Therapeutics, Inc. which was approved by shareholders at a General Meeting on 21 June 2004 and concluded on the same date.

Following approval by shareholders at the Annual General Meeting on 28 November 2007 ChemGenex discontinued its research in the fields of metabolic syndrome (obesity and diabetes) and depression in December 2007 to invest in its later stage lead compounds.

ChemGenex seeks to develop targeted medicines for the treatment of cancer by identifying and targeting the genetic components of a range of cancer types. ChemGenex seeks to bring targeted therapeutics to market that address cancers with high unmet medical need. The Company's clinical pipeline of cancer drugs provides it with a solid foundation to meet these objectives. The Company has two molecules in clinical development and has progressed its lead compound, omacetaxine, to regulatory submission in Europe and the USA.

Directors' Report

Business overview

The Company focuses on the development of novel therapeutic agents in cancer. ChemGenex currently has two small molecule drug candidates in development. Omacetaxine has been submitted to US and European regulators for possible approval in chronic myeloid leukemia (CML) patients who have failed the tyrosine kinase inhibitor (TKI) imatinib and have the T315I point mutation. Omacetaxine is also in clinical development in a range of other blood borne cancers, particularly in CML patients who have failed therapy with multiple TKI's. A New Drug Application (NDA) for this sub-group of patients is in preparation. ChemGenex's other development stage molecule, Quinamed, has completed phase 2a clinical trials in a range of solid cancers.

Business strategy

The Company's business strategy for growth and profitability is to discover, develop and commercialise novel anti-cancer therapeutics that address significant unmet needs in the pharmaceutical industry, based on the company's understanding of the genetic basis of disease. The Company keeps its core competencies in-house (such as research management, pre-clinical work, clinical strategy and management), outsourcing the majority of laboratory research and all clinical testing to specialists, to minimise its infrastructure and fixed overhead costs. The Company intends to progress the clinical development of its assets to maximize value creation for shareholders. As such individual assets may be retained by the Company and progressed through regulatory approval and to the market, or partnered in specific jurisdictions at the completion of earlier stage clinical trials depending on risk-adjusted cost benefit analyses. Where partnering is pursued prior to registration, the Company will seek to establish alliances with multinational partners with drug development milestones payable to the Company on completion of agreed targets and submission of regulatory documents and, eventually, payment or royalties on sales of commercialised products. The expectation is that the size of the payments to the Company will vary depending on the size of the eventual market in the partnered territory, the stage of development of the product concerned and the strength of the data that is generated prior to partnering.

Review of operations

Achievements and significant events during the 2010 financial year included:

July 2009

Voluntary de-listing from NASDAQ and appointment of Chief Commercial Officer

The Company completed its delisting from the NASDAQ exchange in order to reduce compliance costs. This delisting meant that the Company could also reduce the size of its Board of Directors, and accordingly, Mr Donald Santel, Dr. Julie Cherrington and Dr. Dennis Brown resigned as Directors on 21 July 2009.

The Company appointed Mr Thomas DeZao to the position of Senior Vice President and Chief Commercial Officer to lead the Group's commercial efforts including sales, marketing and co-ordination of manufacturing activities for the launch of omacetaxine in the USA.

September-November 2009

Submission and acceptance of New Drug Application (NDA) to U.S. Food and Drug Administration (FDA) for patients who fail imatinib and have the T315I Mutation

The Company completed its NDA submission of OMAPRO™ to the FDA for patients with CML who have failed treatment with imatinib and have developed the Bcr-Abl T315I mutation. The NDA was granted Priority Review status, which is given to drugs that offer major advances in treatment or provide a treatment where no adequate therapy exists, and generally denotes that the FDA review period is reduced to approximately six months. The application was subsequently accepted by the FDA in November 2009.

Submission and validation of Marketing Authorisation Application for omacetaxine by the European Medicines Agency (EMA)

The Company's Marketing Authorisation Application ('MAA') for omacetaxine for the treatment of patients with CML who have failed imatinib and have the T315I mutation was submitted and accepted indicating that the review process for approval had begun.

Directors' Report

December 2009

Signing of license, development and commercialisation agreement with Hospira, Inc.

The Company entered into an exclusive agreement with Hospira UK Limited and Hospira Enterprises B.V. (wholly owned subsidiaries of and hereafter referred to as Hospira, Inc.) to license, develop and commercialise omacetaxine in Europe, the Middle East and parts of Africa. The Company received initial payments of €11.1m (A$17.5m), with the potential for up to an additional €74.1m in performance milestone payments based on the successful development and commercialisation of omacetaxine and a royalty on product sales following successful commercialisation.

Presentation of clinical trial data at the 51st Annual American Society of Hematology ('ASH') Meeting in New Orleans, Louisiana

Clinical data from the Company's two clinical trials for its lead product candidate, OMAPRO were presented at the 51st ASH Meeting in New Orleans, Louisiana. Data was presented from 81 CML patients who have failed treatment with imatinib and who have developed the T315I mutation, and 89 CML patients who had failed imatinib and failed at least one other tyrosine kinase inhibitor (TKI). Investigators reported that OMAPRO was safe for self-administration, was well tolerated, and that reverse and manageable myelosuppression is the most common side effect. Highlights of the data were:

Clinical Study	CML Patients who failed imatinib and have the T315I mutation	CML Patients who failed imatinib and at least one other TKI
Number of patients presented	81 (49 in chronic phase, 17 in accelerated phase and 15 in blast phase)	89 (44 in chronic phase, 25 in accelerated phase and 20 in blast phase)
Complete hematologic responses (CHR)	86% of chronic phase patients (median response duration 9mths)	82% of chronic phase patients (median response duration 4.8mths)
Total cytogenetic response rate	41% in chronic phase patients, with major cytogenetic response of 27%	27% in chronic phase patients, with major cytogenetic response of 23%

March-April 2010

FDA's Oncologic Drug Advisory Committee (ODAC) recommended ChemGenex validate a diagnostic prior to approval of OMAPRO for patients with CML who have failed imatinib and have the T315I mutation

The FDA's ODAC voted 7-1 that a validated test to identify the T315I mutation should be reviewed by the FDA prior to approval of OMAPRO. Subsequent to this meeting ChemGenex received a Complete Response Letter from the FDA outlined below.

FDA responded to NDA for OMAPRO in patients with CML who have failed Imatinib and have the T315I mutation

The Company received a Complete Response Letter from the FDA in relation to the NDA filed in September 2009. The U.S. FDA recommended that a validated test that identifies CML patients with the T315I mutation be reviewed by the FDA prior to approval of OMAPRO. The Company and the FDA held a Type A Meeting post year-end to discuss the regulatory path forward for OMAPRO, the results of which are discussed below.

June 2010

Presentation of clinical data at the 2010 American Society of Clinical Oncology (ASCO) Annual Meeting in Chicago, Illinois

Updated clinical data from 170 CML patients who either (a) had failed imatinib and had the T315I mutation, or (b) had imatinib and at least one other tyrosine kinase inhibitor (TKI), were presented at the 2010 American Society of Clinical Oncology (ASCO) Annual Meeting in Chicago, Illinois. Conclusions from the analysis were:

- The primary toxicity of omacetaxine is hematologic, with infrequent grade 3/4 non-hematologic events experienced;
- Grade 3/4 hematologic adverse events were manageable and decreased in frequency and severity with dose adjustments; and
- Injection site reactions were primarily grade 1/2 events, demonstrating that at-home subcutaneous administration of omacetaxine has an acceptable safety profile for CML patients who have failed prior therapies.

Directors' Report

Financial summary

Operating results

The consolidated entity experienced a loss for the financial year of $6,018,043 (2009: $25,943,758). The loss reflects the group's continued expenditure on clinical trials and regulatory costs associated with its main anti-cancer compound, OMAPRO.

Income in the 2010 financial year was $18,252,402 (2009: $1,564,821). Income included $17,497,777 received from commercialisation receipts, received as part of the license, development and commercialisation agreement entered into with Hospira Inc. Other income predominantly relates to sale royalties and interest received.

Liquidity and funding

At 30 June 2010, the Group's cash position was $12,802,394 (2009: $17,655,431).

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

The Directors are investigating the opportune time to raise capital and/or enter into licensing/commercialisation arrangements.

The Directors plan to continue 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 future.

Risk management

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Group believes that it is crucial for all Board members to be a part of this process, and as such the Board has not established a separate risk management committee.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board review of business strategy, which encompasses the Group's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of key performance indicators of both a financial and non-financial nature.

Significant changes in the state of affairs

Total equity decreased to $69,206,609 at 30 June 2010 from $73,751,454 at 30 June 2009, a decrease of $4,544,845. The movement was largely the result of the net loss during the year.

A further $446,419 of contributed equity was received from the exercising of share options.

Directors' Report

Significant events after the balance date

On 14 July 2010 the Company announced the results of the Type A Meeting with the U.S. FDA in relation to the Company's NDA for OMAPRO in CML patients who had failed imatinib and have the T315I mutation. The Company and the U.S. 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 for CML patients who have failed prior treatment with two or more currently approved TKI's, regardless of their mutation status.

No other matters or circumstances have arisen since 30 June 2010 that have significantly affected, or may significantly affect:

(a) the consolidated entity's operations in future financial years, or

(b) the results of the operations in future financial years, or

(c) the consolidated entity's state of affairs in future financial years.

Likely developments and expected results

The Directors expect that the Company will meet several pivotal milestones in the 2010/11 financial year. The most significant of these milestones are:-

- The submission to the U.S. Food and Drug Administration (FDA) of an NDA for OMAPRO for CML patients who have failed multiple TKI's.
- The progression of the omacetaxine review process by the European Medicines Agency (EMA)
- The presentation of clinical progress at key scientific meetings such as the American Society of Hematology

Further information on likely developments in the operations of the Group and expected results of the operations have not been included in this annual financial report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation and performance

The Group aims to ensure that the highest standard of environmental care is achieved. The Board aims to ensure that the Group's environmental policies are adhered to and to ensure that the Group is aware of and is in compliance with all relevant environmental legislation. The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

Share Options

Unissued shares

As at the date of this report, there were 29,790,328 unissued ordinary shares under options (30,500,328 at the reporting date). The 29,790,328 unissued ordinary shares under options consist of 18,841,000 unlisted options under the Employee Share Option Plan ("ESOP") and 10,949,328 listed share options. Refer to the remuneration report and note 19 for further details of the options outstanding.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

Shares issued as a result of the exercise of options

During the financial year, employees and option holders have exercised options to acquire 930,655 fully paid ordinary shares in ChemGenex Pharmaceuticals Ltd at a weighted average exercise price of $0.48 per share.

Directors' Report

Indemnification and insurance of Directors and officers

Under the Company's constitution:

(a) To the extent permitted by law and subject to the restrictions in section 199A and 199B of the Corporations Act 2001, the Company indemnifies every person who is or has been an officer of the Company against any liability (other than for legal costs) incurred by that person as an officer of the Company where the Company requested the officer to accept appointment as Director.

(b) To the extent permitted by law and subject to the restrictions in sections 199A and 199B of the Corporations Act 2001, the Company indemnifies every person who is or has been an officer of the Company against reasonable legal costs incurred in defending an action for a liability incurred by that person as an officer of the Company.

The Company has insured its Directors, the Company Secretaries and executive officers for the financial year ended 30 June 2010. Under the Company's Directors' and Officers' Liability Insurance Policy, the Company cannot release to any third party or otherwise publish details of the nature of the liabilities insured by the policy or the amount of the premium. Accordingly, the Company relies on section 300(9) of the Corporations Act 2001 to exempt it from the requirement to disclose the nature of the liability insured against and the premium amount of the relevant policy.

Directors' meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director was as follows:

	Meetings of Committees					
	Board of Directors' meetings		Audit Committee meetings		Remuneration Committee meetings	
	Eligible to attend	Meetings attended	Eligible to attend	Meetings attended	Eligible to attend	Meetings attended
J.B.L. Heading	19	19	-	-	1	1
Dr. G.R. Collier	19	19	-	-	-	-
E.J. Schnee	19	10	-	-	-	-
Dr. G.E.D. Brooke	19	18	3	3	2	2
D.S. Janney	19	16	3	3	2	2
Dr. G. Morstyn	19	18	3	3	-	-
J.-L. Tétard	19	9				
D. Santel (resigned 21 July 2009)	-	-	-	-	-	-
Dr. J. Cherrington (resigned 21 July 2009)	-	-	-	-	-	-
Dr. D.M. Brown (resigned 21 July 2009)	-	-	-	-	-	-

Committee membership

As at the date of this report the Company has an Audit Committee, the members of the Board on the committee were:

Dr. G. Morstyn (Chairman) Dr. G.E.D. Brooke D.S. Janney

As at the date of this report the Company has a Remuneration Committee, the members of the Board on the committee were:

D.S. Janney (Chairman) J.B.L. Heading Dr. G.E.D. Brooke

Directors' Report

Auditor independence and non-audit services

The Directors received a declaration from the auditor of ChemGenex Pharmaceuticals Limited which is included on page 19 of this annual report.

Non-audit services

The following non-audit services were provided by the entity's auditor, Ernst & Young, during the year ended 30 June 2010. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of the non-audit services provided means the auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

	$
Tax advice	25,000
Assurance related services	3,870

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.

Corporate Governance

In recognizing the need for the highest standards of corporate behaviour and accountability, the Directors of ChemGenex Pharmaceuticals Limited support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained in pages 20 to 22 of this Annual Report.

Directors' Report

Remuneration report (audited)

This remuneration report for the year ended 30 June 2010 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise), and includes five executives receiving the highest remuneration.

For the purposes of this report, the term "executive" includes the Chief Executive Officer (CEO), executive Directors, senior Directors, senior executives, general managers and secretaries of the Group, and the term "Director" refers to non-executive Directors only. As a result of the Company's growth, maturation and key executive appointments, an assessment of the key management personnel has been performed resulting in a change of personnel determined as key management for the 2010 financial year.

1. Individual key management personnel disclosures

Details of KMP including the top five remunerated executives of the Group are set out below.

Key Management Personnel

(i) Non-executive Directors

J.B.L. Heading	Chairman
E.J. Schnee	Director
Dr. G.E.D. Brooke	Director
D.S. Janney	Director
Dr. G. Morstyn	Director
J.-L. Tetard	Director
D. Santel	Director (resigned 21 July 2009)
Dr. J. Cherrington	Director (resigned 21 July 2009)

(ii) Executive Directors

Dr. G.R. Collier	Director and Chief Executive Officer
Dr. D.M. Brown	Director (resigned 21 July 2009)

(ii) Other key management

Dr. J. Campbell	Chief Operating Officer, and Chief Financial Officer and Company Secretary from 5 May 2009
Dr. A. Craig	Senior Vice President – Chief Medical Officer
T. DeZao	Senior Vice President – Chief Commercial Officer (appointed 20 July 2009)
T. O'Neil	Vice President of Finance and Administration (appointed 30 December 2009)
E. Humphriss	Vice President of Clinical Affairs

There were no other changes to KMP after reporting date and before the date the financial report was authorised for issue.

Directors' Report

2. Board oversight of remuneration

Remuneration strategy

The performance of the Company depends upon the quality of its Directors and executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and executives.

Remuneration Committee

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors, the Chief Executive Officer and the executive team. On 8 June 2006 the Board established a Remuneration Committee to review all compensation arrangements, under the direction of the Board, and to make recommendations to the Board on these matters.

The Remuneration Committee met twice during the year ended 30 June 2010 (three times in 2009).

In accordance with best practice corporate governance, the structure of non-executive Director and senior manager remuneration is separate and distinct.

3. Non-executive Director remuneration arrangements

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers the fees paid to non-executive Directors of comparable companies when undertaking the annual review process.

Each non-executive Director receives a fee for being a Director of the Company.

4. Executive remuneration arrangements

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company and so as to:

- reward executives for company performance against target;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

The Board of Directors of ChemGenex Pharmaceuticals Limited, through the Remuneration Committee, is responsible for determining and reviewing compensation arrangements for the Directors, the Chief Executive Officer and the executive team. In accordance with best practice corporate governance, the structure of non-executive Director and senior manager remuneration is separate and distinct. The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain executives of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The Board assesses the appropriateness of the nature and amount of emoluments of senior management (the Chief Executive Officer and executives who report to the Chief Executive Officer) on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality executive team. Senior management are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

To assist in achieving these objectives, the Board links the nature and amount of executive Directors' and officers' emoluments to the Company's financial and operational performance. All senior executives have the opportunity to qualify for participation in the Employee Share Option Plan ("ESOP") which currently provides incentives where specified criteria are met including criteria relating to profitability, cash flow and share price growth.

Directors' Report

The Company's current remuneration policies provide some degree of linkage between an executive's performance-based remuneration and the overall financial performance of the Company. However, given the stage of development of the Company, the remuneration is aimed at retaining key individuals to ensure the success of product development, which will in turn impact the future overall profitability of the Company and shareholder wealth.

Structure

In the 2010 financial year, the executive remuneration framework consisted of the following components:

- Fixed remuneration; and
- Variable remuneration

The table below illustrates the structure of ChemGenex Pharmaceuticals Ltd's executive remuneration arrangements:

Remuneration component	Vehicle	Purpose	Link to performance
Fixed remuneration	➢ Base salary, superannuation and other benefits	➢ Set with reference to role, market and experience ➢ Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group	➢ No link to company performance
STI component	➢ Paid in cash	➢ Rewards executives for their contribution to achievement of agreed performance objectives	➢ Linked to internal measures including financial, regulatory, risk management and leadership
LTI component	➢ Awards are made in the form of share options	➢ Rewards executives for their contribution to the creation of shareholder value over the longer term	➢ Vesting of awards is dependent upon service period and performance targets.

Fixed remuneration

Executive contracts of employment do not include any guaranteed base pay increases. Base salary is reviewed periodically by the Remuneration Committee.

Variable remuneration – short term incentive (STI)

The Group awards a cash bonus to executives subject to the attainment of clearly defined Group and individual measures. The aggregate of annual STI payments available for executives across the Group is subject to the approval of the Remuneration Committee and the Board. Contracts for senior executives, excluding the Chief Executive Officer, provide for bonuses of between 10% and 40% of base salary to be payable each year, subject to achievement of agreed performance objectives. Agreed Group and individual performance objectives are based on specific targets set at the beginning of the year consisting of a number of key performance indicators covering financial and non-financial, corporate and individual measures.

STI awards for 2009 and 2010 financial years

For the year ended 30 June 2009, a total of USD$76,954 was provided for and paid in bonuses to senior clinical executives.

For the year ended 30 June 2010, a total of USD$209,905 and AUD$180,000 was provided for and paid in bonuses to executives. There has been no accrual in the 2010 financial statements for potential bonus payments for contracts which do not expire this financial year.

Directors' Report

Variable remuneration – long term incentive (LTI)

LTI awards are made to executives in order to align remuneration with the creation of shareholder value over the long-term. As such, LTI awards are only made to executives and other employees who have an impact on the Group's performance.

LTI – Share options

LTI awards are issued to executives under the employee share option plan and are delivered in the form of share options. Each option entitles the holder to one fully paid ordinary share in the Company. These options will vest according to length of service to the Company. Generally 50% of options granted are based on the performance conditions applicable to each executive. Actual options awarded to each executive depend on the extent to which specific targets set at the beginning of the year are met. The targets consist of a number of key performance indicators (KPI's) covering both financial and non-financial, corporate and individual measures of performance.

Where a participant ceases employment prior to the vesting of their share options, the options are forfeited within ninety days unless the Board applies its discretion to allow vesting at or post cessation of employment in appropriate circumstances.

5. Executive contractual arrangements

Remuneration arrangements for KMP are formalised in employment agreements.

Chief Executive Officer

The CEO, Dr. Greg Collier, is employed under contract. The current employment contract commenced on 1 July 2007 and terminates on 30 June 2012, at which time the Company may choose to commence negotiation to enter into a new employment contract with Dr. Collier. Under the terms of the present contract:-

- Dr. Collier may resign from his position and thus terminate this contract by giving 6 months written notice.
- The Company may terminate this employment agreement by providing 6 months written notice or provide payment in lieu of the notice period.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the CEO is only entitled to remuneration up to the date of termination.

Other KMP

All other KMP are employed under rolling contracts and provide for termination, by either party, with notice periods between 4 and 6 months. These contracts provide for bonuses of between 10% and 40% of the base salary to be payable each year, subject to achievement of agreed performance objectives. The performance objectives for each executive are reviewed each year and bonus payments are subject to approval by the Board, Remuneration Committee or Chief Executive Officer as is appropriate for each contract.

Directors' Report

6. Remuneration of key management personnel and the five highest paid executives of the Company and the Group

Table 1: Remuneration for the year ended 30 June 2010

	Short-term benefits			Post employment	Long-term benefits	Share based payments	Total		
	Salary & fees $	Cash bonus $	Non-monetary benefits $	Superannuation $	Long service leave $	Options $	$	Performance related %	Remuneration consisting of options for the year %
Non-executive Directors									
J.B.L. Heading	80,930	-	-	-	-	-	80,930	-	-
E.J. Schnee	54,500	-	-	-	-	-	54,500	-	-
Dr. G.E.D. Brooke	54,500	-	-	-	-	-	54,500	-	-
D.S. Janney	54,500	-	-	-	-	-	54,500	-	-
Dr. G Morstyn	60,000	-	-	4,500	-	-	64,500	-	-
J.-L. Tetard	54,500	-	-	-	-	-	54,500	-	-
D. Santel*	3,136	-	-	-	-	(21,226)	(18,090)	-	-
Dr. J. Cherrington*	3,136	-	-	-	-	(22,138)	(19,002)	-	-
Total non-executive Directors	365,201	-	-	4,500	-	(43,364)	326,337	-	-
Executive Directors									
Dr. G. R. Collier	365,000	132,000	26,139	50,000	-	286,257	859,396	32.0	33.3
Dr. D.M. Brown*	-	-	-	-	-	(217,645)	(217,645)	-	-
Key management									
Dr. J. Campbell	225,000	48,000	-	25,000	-	323,973	621,973	33.8	52.1
Dr. A. Craig	380,209	147,361	22,704	-	-	284,032	834,306	34.7	34.0
T. DeZao	307,355	35,316	25,220	-	-	401,423	769,314	30.7	52.2
T. O'Neill	97,635	-	9,672	-	-	35,586	142,893	12.5	24.9
E. Humphriss	197,500	48,750	21,133	-	-	88,484	355,867	26.1	24.9
Total executive KMP	1,572,699	411,427	104,868	75,000	-	1,202,110	3,366,104		
Total	1,937,900	411,427	104,868	79,500	-	1,158,746	3,692,441		

*D. Santel, Dr. J Cherrington and Dr. D. Brown resigned on 21 July 2009 and forfeited their unvested options. Any share based payment expense previously recognised under AASB 2 in respect of the unvested options has been reversed.

Directors' Report

6. Remuneration of key management personnel and the five highest paid executives of the Company and the Group (continued)
Table 2: Remuneration for the year ended 30 June 2009

	Short-term benefits			Post employment	Long-term benefits	Share based payments	Total		
	Salary & fees $	Cash bonus $	Non-monetary benefits $	Superannuation $	Long service leave $	Options $	$	Performance Related %	Remuneration consisting of options for the year %
Non-executive Directors									
J.B.L. Heading	70,850	-	-	-	-	-	70,850	-	-
E.J. Schnee	54,500	-	-	-	-	-	54,500	-	-
Dr. G.E.D. Brooke	54,500	-	-	-	-	-	54,500	-	-
D.S. Janney	54,500	-	-	-	-	-	54,500	-	-
Dr. G Morstyn	50,000	-	-	4,500	-	-	54,500	-	-
J.-L. Tetard	49,274	-	-	-	-	35,000	84,274	-	41.5
D. Santel	65,139	-	-	-	-	-	65,139	-	-
Dr. J. Cherrington	54,283	-	-	-	-	-	54,283	-	-
Total non-executive Directors	453,046	-	-	4,500	-	35,000	492,546	-	-
Executive Directors									
Dr. G. R. Collier	355,008	-	34,815	60,000	-	-	449,823	-	-
Dr. D.M. Brown	391,153	-	44,909	-	-	-	436,062	-	-
Other key management									
Dr. J. Campbell	189,530	-	-	50,000	-	341,128	580,658	-	58.7
Dr. A. Craig	434,865	-	32,977	-	-	479,712	947,554	-	50.6
E. Humphriss	260,919	32,615	27,708	-	-	57,565	378,807	16.2	15.2
E. Merrigan*	87,500	-	-	61,280	-	(177,345)	(28,565)	-	-
L. Staiger	347,892	34,791	39,675	-	-	127,923	550,281	17.9	23.2
T. Herbert	231,987	-	18,605	-	-	51,169	301,761	8.5	17.0
T. Trapp	247,539	25,786	36,414	-	-	55,433	365,172	14.7	15.2
P. Lynch	227,468	-	32,105	-	-	51,169	310,742	8.2	16.5
Total executive KMP	2,773,861	93,192	267,208	171,280	-	986,754	4,292,295		
Total	3,226,907	93,192	267,208	175,780	-	1,021,754	4,784,841		

*E. Merrigan resigned on 5 May 2009 and forfeited his options that had not vested. Any share based payment expense previously recognised under AASB 2 in respect of the unvested options has been reversed.

Directors' Report

7. Equity Instruments

Table 3: Options awarded and vested during the year (Consolidated)

	Terms and conditions for each grant						Vested	
	Awarded no.	Award date	Fair value per option at award date ($)	Exercise price ($)	First exercise date	Expiry date	No.	%
Executive Directors								
Dr. G. R. Collier	2,180,000	17/12/2009	0.63	0.43	30/11/2013	30/11/2014	-	-
Other key management								
T. DeZao	2,376,000	14/7/2009	0.28	0.59	20/7/2009	30/11/2013	594,000	25
T. O'Neil	200,000	25/1/2010	0.42	0.98	25/1/2011	25/1/2014	-	-
E. Humphriss	18,750	22/1/2010	0.44	0.96	22/1/2011	22/1/2014	-	-
Total	4,774,750						594,000	

Directors' Report

7. Equity instruments (continued)
Table 4: Value of options awarded, exercised and lapsed during the year

	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $
Non-executive Directors			
D. Santel *	-	-	87,057
Dr. J. Cherrington *	-	-	89,771
Executive Directors			
Dr. G. R. Collier #	1,379,108	-	1,162,631
Dr. D. M. Brown @	-	-	727,315
Key management			
Dr. J. Campbell^	-	-	140,474
T. DeZao	673,373	-	-
T. O'Neil	83,262	-	-
E. Humphriss	8,193	-	-
Total	2,143,936	-	2,207,248

* D. Santel and Dr J. Cherrington resigned on 21 July 2009 resulting in forfeiture of 250,000 options each.

3,400,000 share options expired during the year.

@ Dr D.M. Brown resigned during the year resulting in forfeiture of 1,750,000 options.

^ 385,000 share options expired during the year.

There were no alterations to the terms and conditions of options granted as remuneration since their grant date. For details on the valuation of the options, including models and assumptions used, please refer to Note 19.

Shares issued on exercise of options (consolidated)

No shares were issued to key management personnel upon exercise of options during the financial year ended 30 June 2010.

Signed in accordance with a resolution of the Directors.

Dr. G.R. Collier
Director
Geelong, 27 August 2010

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

In relation to our audit of the financial report of ChemGenex Pharmaceuticals Limited and its subsidiaries for the financial year ended 30 June 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
27 August 2010

Corporate Governance Statement

The Board of Directors of ChemGenex Pharmaceuticals Limited is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of ChemGenex Pharmaceuticals Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

The format of the Corporate Governance Statement reflects the Australian Stock Exchange Corporate Governance Council's (the Council's) "Principles of Good Corporate Governance and Best Practice Recommendations" (the Recommendations). In accordance with the Council's recommendations, the Corporate Governance Statement must contain certain specific information and must disclose the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed, together with the reasons for the departure. ChemGenex Pharmaceuticals Limited's Corporate Governance Statement is now structured with reference to the Council's principles and recommendations, which are as follows:

- Lay solid foundations for management and oversight
- Structure the Board to add value
- Promote ethical and responsible decision-making
- Safeguard integrity in financial reporting
- Make timely and balanced disclosure
- Respect the rights of shareholders
- Recognise and manage risk
- Remunerate fairly and responsibly

ChemGenex Pharmaceuticals Limited's corporate governance practices were in place throughout the year ended 30 June 2010 and, with the exception of the nominations committee recommendation as noted below, were compliant with the Council's best practice recommendations.

For further information on corporate governance policies adopted by ChemGenex Pharmaceuticals Limited, refer to the Company's website:

www.chemgenex.com

Structure of the Board

The skills, experience and expertise relevant to the position held by each Director in office at the date of the annual report is included in the Directors' Report on pages 2 and 3. Directors of ChemGenex Pharmaceuticals Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

In accordance with the definition of independence above, and the materiality thresholds set, the following Directors of ChemGenex Pharmaceuticals Limited are considered to be independent:

Name	Position
J.B.L. Heading	Chairman, non-executive Director
Dr. G.E.D. Brooke	Non-executive Director
Dr. G. Morstyn	Non-executive Director
D. Santel	Non-executive Director (resigned 21 July 2009)
Dr. J. Cherrington	Non-executive Director (resigned 21 July 2009)

There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

Corporate Governance Statement

The term in office held by each Director in office at 30 June 2010 is as follows:

Name	Term in office
J.B.L. Heading	8 years
Dr. G.R. Collier	8 years
E.J. Schnee	6.5 years
Dr. G.E.D. Brooke	3.4 years
D.S. Janney	3.4 years
Dr. G. Morstyn	3.1 years
J.-L. Tétard	1.9 years

For additional details regarding Board appointments please refer to our website. www.chemgenex.com

Audit Committee

The Board has established an Audit Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity to the Audit Committee.

The Audit Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit Committee are non-executive Directors.

The members of the Audit Committee during the year were:

- Dr. G. Morstyn
- Dr. G.E.D Brooke
- D. Janney

Qualifications of Audit Committee members

- Dr. Morstyn has over 15 years experience as a senior executive and Director of public and private companies.
- Dr. Brooke has over 20 years experience as a senior executive and Director of public and private companies.
- Mr Janney has over 15 years experience as a senior executive and Director of public and private companies

For details on the number of meetings of the Audit Committee held during the year and the attendees at those meetings, refer to page 9 of this Report.

Corporate Governance Statement

Remuneration Committee

The Board has established a Remuneration Committee to review all compensation arrangements for the Directors, the Chief Executive Officer and the executive team, under the direction of the Board, and to make recommendation to the Board on these matters.

The members of the Remuneration Committee during the year were:

- Dr. G.E.D. Brooke
- D.S. Janney
- J.B.L. Heading

Qualifications of Remuneration Committee members

- Dr. Brooke has over 20 years experience as a senior executive and Director of public and private companies.
- Mr Janney has over 15 years experience as a senior executive and Director of public and private companies.
- Mr Heading has over 20 years experience as a corporate lawyer and Director of public and private companies.

For details on the number of meetings of the Remuneration Committee held during the year and the attendees at those meetings, refer to page 9 of this Report.

Nominations Committee

The Board has not yet established a nominations committee as included in the council's recommendations. At this stage of the Group's development the Board considers it appropriate that the duties associated with a nominations committee are best handled by the Remuneration Committee and the Board.

Performance

The performance of the Board and key executives are reviewed regularly against both measurable and qualitative indicators. The performance criteria against which Directors and executives are assessed is aligned with the financial and non-financial objectives of ChemGenex Pharmaceuticals Limited. Directors whose performance is consistently unsatisfactory may be asked to retire.

Remuneration

It is the Group's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Board links the nature and amount of executive Directors' and officers' emoluments to the Group's financial and operational performance. The expected outcomes of the remuneration structure are:

- Retention and motivation of key executives
- Attraction of quality management to the company
- Performance incentives which allow executives to share the rewards of the success of ChemGenex Pharmaceuticals Limited

For details on the amount of remuneration and all monetary and non-monetary components for each of the key management personnel during the year and for all Directors, refer to page 15 of this Report. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of ChemGenex Pharmaceuticals Limited and the performance of the individual during the period.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive Directors.

The maximum aggregate remuneration payable out of the funds of the Company to non-executive Directors of the Company for services as Directors, including service on a Committee of Directors is approved by shareholders.

The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves and the Chief Executive Officer and the executive team.

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE		CONSOLIDATED 2010 $000's	2009 $000's
Sales royalties	4(a)	308	237
Cost of goods sold		(71)	(9)
GROSS PROFIT		237	228
Finance income	4(d)	418	457
Commercialisation alliance income	4(b)	17,498	-
Other income	4(c)	29	871
Research and development expenses		(10,909)	(14,926)
Commercial expenses		(1,589)	(692)
Employee benefits expense	5(a)	(6,800)	(6,957)
Administration expenses		(4,212)	(2,666)
Foreign exchange benefit (loss)		(412)	(2,139)
Depreciation	14	(127)	(146)
LOSS BEFORE TAX		(5,867)	(25,970)
Income tax (expense) / benefit	6	(151)	26
LOSS AFTER TAX		(6,018)	(25,944)
OTHER COMPREHENSIVE INCOME			
Foreign currency translation		(675)	(1)
OTHER COMPREHENSIVE INCOME / (EXPENSE) FOR THE PERIOD, NET OF TAX		(675)	(1)
TOTAL COMPREHENSIVE INCOME / (EXPENSE) FOR THE PERIOD		(6,693)	(25,945)
Loss for the period is attributable to owners of the parent		(6,693)	(25,945)
Total comprehensive income / (expense) for the period is attributable to owners of the parent		(6,693)	(25,945)
Loss per share to the ordinary equity-holders of the parent			
Basic loss per share (cents per share)	7	(2.13)	(10.75)
Diluted loss per share (cents per share)	7	(2.13)	(10.75)

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

Statement of Financial Position

AS AT 30 JUNE	Notes	CONSOLIDATED 2010 $000's	CONSOLIDATED 2009 $000's
CURRENT ASSETS			
Cash and cash equivalents	10	12,802	17,655
Trade and other receivables	11	98	133
Inventories	12	-	27
Income tax receivable		13	-
Prepayments		412	282
TOTAL CURRENT ASSETS		13,325	18,097
NON-CURRENT ASSETS			
Available for sale financial assets	13	7	-
Plant and equipment	14	255	208
Intangible assets and goodwill	15	58,361	58,740
TOTAL NON-CURRENT ASSETS		58,623	58,948
TOTAL ASSETS		71,948	77,045
CURRENT LIABILITIES			
Trade and other payables	16	2,256	2,796
Employee entitlements	17	387	321
Provision for income tax		-	88
TOTAL CURRENT LIABILITIES		2,643	3,205
NON-CURRENT LIABILITIES			
Employee entitlements	17	99	89
TOTAL NON-CURRENT LIABILITIES		99	89
TOTAL LIABILITIES		2,742	3,294
NET ASSETS		69,206	73,751
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	18	164,599	164,163
Retained losses		(113,996)	(107,978)
Other reserves	18	18,603	17,566
TOTAL EQUITY		69,206	73,751

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE	Notes	CONSOLIDATED 2010 $000's	CONSOLIDATED 2009 $000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Commercialisation alliance and service agreement receipts		17,527	80
Sales royalties received from customers		377	142
Government grants received		-	828
Payments to suppliers and employees		(22,518)	(25,198)
Income taxes paid		(164)	-
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	9	(4,778)	(24,148)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		382	457
Purchase of available-for-sale investments		(7)	-
Purchase of plant and equipment	14	(151)	(89)
NET CASH FLOWS FROM INVESTING ACTIVITIES		224	368
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of shares	18	446	31,424
Transaction cost of issue of shares	18	(10)	(1,172)
NET CASH FLOWS FROM FINANCING ACTIVITIES		436	30,252
Net increase / (decrease) in cash and cash equivalents		(4,118)	6,472
Net foreign exchange differences		(735)	1,101
Cash and cash equivalents at beginning of period		17,655	10,082
CLOSING CASH CARRIED FORWARD	10	12,802	17,655

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

Statement of Changes in Equity

FROM 1 JULY 2008 TO 30 JUNE 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	Retained Losses $000's	Total Equity $000's
At 1 July 2008		108,999	649	150	10,864	(1,280)	5,070	(99,943)	24,509
Loss for year ended 30 June 2009		-	-	-	-	-	-	(25,944)	(25,944)
Other comprehensive income		-	-	-	-	(1)	-		(1)
Total comprehensive income for the period		-	-	-	-	(1)	-	(25,944)	(25,945)
Transactions with owners in their capacity as owners									
Shares issued, net of costs	(i)	73,073	-	-	-	-	-	-	73,073
Share-based payments		-	-	-	-	-	2,114	-	2,114
In specie capital reduction	(ii)	(17,909)	-	-	-	-	-	17,909	-
At 30 June 2009		164,163	649	150	10,864	(1,281)	7,184	(107,978)	73,751
Loss for year ended 30 June 2010		-	-	-	-	-	-	(6,018)	(6,018)
Other comprehensive income		-	-	-	-	(675)	-	-	(675)
Total comprehensive income for the period		-	-	-	-	(675)	-	(6,018)	(6,693)
Transactions with owners in their capacity as owners									
Shares issued, net of costs	(i)	436	-	-	-	-	-	-	436
Share-based payments		-	-	-	-	-	1,712	-	1,712
At 30 June 2010		164,599	649	150	10,864	(1,956)	8,896	(113,996)	69,206

(i) Refer Note 18 for details of issues of share capital during the years ended 30 June 2010 and 2009

(ii) Refer Note 18 for details of in specie capital reductions

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

Notes to the Financial Statements

1. CORPORATE INFORMATION

The financial report of ChemGenex Pharmaceuticals Limited ("ChemGenex" or "Company" or "Group") for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the Directors on 27 August 2010.

ChemGenex is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000's) unless otherwise stated.

(b) Inherent uncertainty regarding going concern

This annual 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 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 30 June 2010, the Group had accumulated losses of $113,995,528 and recorded a net loss of $6,018,043 and negative cash flows from operations of $4,777,504 for the year ended 30 June 2010. These factors cast 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 Directors are investigating the opportune time to raise capital and/or enter into licensing/commercialisation arrangements to ensure the Group continues as a going concern. Having regard to the current market conditions and the Group's development programs, the Directors are assessing strategic alternatives including possible partnership, mergers, acquisitions and capital raising alternatives.

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. Since 1 July 1996 it has raised approximately $109 million (including $70 million since 1 July 2005) from the issue of equity securities. 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 $17.5m 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 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 statements 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.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(c) Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

(d) New Accounting Standards and Interpretations

(i) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2009.

- AASB 3 *Business Combinations* effective 1 July 2009
- AASB 7 *Financial Instruments: Disclosures* effective 1 July 2009
- AASB 8 *Operating Segments* effective 1 July 2009
- AASB 101 *Presentation of Financial Statements (revised 2007)* effective 1 July 2009
- AASB 127 (Revised) and AASB 2008-3 *Consolidated and Separate Financial Statements* effective 1 July 2009
- AASB 2008-1 *Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations* effective 1 July 2009
- AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* effective 1 July 2009
- AASB 2008-7 *Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* effective 1 July 2009

Adoption of the above Standards, Amendments and Interpretations did not have any effect on the financial position or performance of the Group. AASB 8 and AASB 101 did have an impact on the disclosures included in the financial statements.

AASB 8 *Operating Segments*

From 1 July 2009, the Group has adopted AASB 8 which replaced AASB 114 *Segment Reporting*. The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. Therefore, segments are now reported in a manner that is consistent with the internal reporting provided to the Chief Executive Officer (the Chief Operating Decision Maker). The Group concluded that the operating segments determined in accordance with AASB 8 are the same as the business segments previously identified under AASB 114.

AASB 101 *Presentation of Financial Statements*

From 1 July 2009, the Group has adopted the revised AASB 101 which is mandatory for annual reporting periods beginning on or after 1 January 2009. The revised standard separates owner and non-owner changes in equity. The Statement of Changes in Equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new Statement of Comprehensive Income. The Statement of Comprehensive Income presents all items of recognised income and expense.

Annual Improvements Project

In May 2008 and April 2009 the AASB issued omnibus of amendments to its Standards as part of the Annual Improvements Project, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions and application dates for each amendment. The adoption of the amendments did not have any impact on the accounting policies, financial position or performance of the Group.

(ii) Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2010, outlined in the table on the following page.

Notes to the Financial Statements

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting except for the following: The amendment to AASB 136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes.	1 January 2010	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2010
AASB 2009-8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]	This Standard makes amendments to Australian Accounting Standard AASB 2 *Share-based Payment* and supersedes Interpretation 8 *Scope of AASB 2* and Interpretation 11 *AASB 2 – Group and Treasury Share Transactions*. The amendments clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.	1 January 2010	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2010
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes: ➢ two categories for financial assets being amortised cost or fair value ➢ removal of the requirement to separate embedded derivatives in financial assets ➢ changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income	1 January 2013	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2013
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. The amendment to AASB 124 clarifies and simplifies the definition of a related party as well as providing some relief for government-related entities (as defined in the amended standard) to disclose details of all transactions with other government-related entities (as well as with the government itself)	1 January 2011	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2011
Interpretation 19***	Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The interpretation states that equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment.	1 July 2010	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2010

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.	1 January 2013	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2013
AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition.	1 January 2011	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2011
AASB 2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.	1 July 2010	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2010
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations including the following: ➢ emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. ➢ Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions.	1 January 2011	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2011

The following new and revised Australian Accounting Standards that have been issued but are not yet effective which will not impact the Group's accounting policies is as follows:

- AASB 2009-9 Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* effective 1 July 2010
- AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] effective 1 July 2010
- AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] effective 1 July 2010
- AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement effective 1 July 2011

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(e) Basis of consolidation

The consolidated financial statements comprise the financial statements of ChemGenex Pharmaceuticals Limited ("the Parent") and its subsidiaries ("the Group").

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by ChemGenex Pharmaceuticals Limited are accounted for at cost in the separate financial statements of the parent entity less any impairment charges.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

(f) Significant accounting estimates and assumptions

The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimate of the recoverable amount of the cash–generating units to which the goodwill and intangibles with indefinite lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in Note 15.

Share-based payment transactions

The Group measures the cost of share-based payments at fair value at the grant date using the Black-Scholes formula, taking into account the terms and conditions upon which the instruments were granted, as discussed in Note 19. Where the vesting date is dependent upon the achievement of a future price for listed ordinary shares a Monte Carlo Model has been used to estimate that future vesting date.

(g) Foreign currency translation

(i) Functional and presentation currency

Both the functional and presentation currency of ChemGenex Pharmaceuticals Limited and its French subsidiary, ChemGenex Europe S.A.S., is Australian dollars (A$). The United States subsidiary, ChemGenex Pharmaceuticals Inc's, functional currency is United States Dollars which is translated to the presentation currency (see below for consolidated reporting).

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(iii) Translation of Group Companies' functional currency to presentation currency

The results of the United States subsidiary are translated into Australian dollars (presentation currency) as at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at reporting date.

Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity.

If the United States subsidiary were sold, the proportionate share of exchange differences would be transferred out of equity and recognised in the Profit and Loss.

(h) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(i) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised initially at fair value (original invoice amount) and subsequently measured at amortised cost using the effective interest rate method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis and individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Inventories used for clinical trials and research that are not sold are expensed immediately.

(k) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. All repairs and maintenance are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

Office equipment – over 3 to 13 years

Research equipment – over 5 to 7 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year-end.

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(l) Investments and other financial assets

Investments and financial assets in the scope of *AASB 139 Financial Instruments: Recognition and Measurement* are categorised as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available for sale financial assets. The classification depends on the purpose for which the investments were acquired or originated.

(i)Available for sale financial assets

Available-for-sale financial assets are those non-derivative financial assets, principally equity securities, that are designated as available-for-sale. When available-for-sale financial assets are recognised initially, they are measured at fair value plus directly attributable transaction costs. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; and discounted cash flow analysis, making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(m) Impairment of non-financial assets other than goodwill and indefinite life intangibles

Non-financial assets other than goodwill and indefinite life intangibles are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

ChemGenex Pharmaceuticals Ltd conducts an annual review of asset values, which is used as a source of information to assess for any indicators of impairment.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(n) Goodwill and Intangibles

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the consideration transferred over the fair value of the Group's net identifiable assets acquired and liabilities assumed.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units. ChemGenex Pharmaceuticals Ltd's goodwill relates to the Group's one operating segment, oncology unit.

Impairment is determined by assessing the recoverable amount of the cash generating unit, to which the goodwill relates.

ChemGenex Pharmaceuticals Ltd performs its annual impairment testing at 30 June each year using discounted cash flows for the oncology unit. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The goodwill is reviewed each reporting date and more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Further details on the methodology and assumptions used are outlined in Note 15.

When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

(ii) Intangibles

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Further details on the methodology and assumptions used for calculating possible impairment of intangible assets are set out in Note 15.

The useful lives of intangible assets are assessed to be either finite or indefinite. The useful life of intellectual property in Note 15 has been assessed as indefinite on the basis that there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows for the entity. Intangible assets with indefinite useful lives are tested for impairment annually and the useful life of the intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable.

(iii) Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Generally, capitalisation of development expenditure will occur upon regulatory approval for a drug compound.

(o) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(p) Provisions and employee benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee leave benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits such as annual leave, expected to be settled within twelve months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(q) Pension and post-employment benefits

The Group makes contributions to external superannuation funds in accordance with existing employment contracts and to meet its obligations under Australian taxation law.

The Group has no liabilities or commitments for post employment benefits for any employee as at 30 June 2010.

(r) Share-based payment transactions

The Group may provide benefits to employees (including executive and non-executive Directors), consultants and suppliers of the Group in the form of share-based payment transactions, whereby employees, consultants and/or suppliers render services in exchange for shares or rights to purchase shares ('equity settled transactions'). These benefits may be provided under the Employee Share Option Plan ('ESOP') or by issues approved at General Meetings of Shareholders.

The cost of equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value is determined using the Black Scholes option pricing model. Where the vesting date is dependent upon the achievement of a future price for listed ordinary shares a Monte Carlo Model has been used to estimate that future vesting date.

In valuing equity-settled transactions, no account is taken of any non-market performance conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the vesting conditions are fulfilled, ending on the date on which the recipients become entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

(i) the extent to which the vesting period has expired, and

(ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest.

This opinion is formed based on the best available information at balance date.

(s) Leases

Leases where the lessor retains substantially all of the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(t) Issued Capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(u) Loss per share

Basic loss per share is determined by dividing the loss after income tax by the weighted average number of ordinary shares outstanding during the period.

The computation of diluted loss per share is similar to basic loss per share, except that it assumes the potentially dilutive securities, such as share options, were converted to shares as of the beginning of the period. For all periods presented, diluted loss per share is equivalent to basic loss per share as the potentially dilutive securities are excluded from the computation of diluted loss per share because the effect is anti-dilutive.

(v) Revenue recognition

(a) Sale of goods

Revenue from the sale of goods is recognised when there is persuasive evidence, usually in the form of an executed sales agreement at the time of delivery of the goods to customer, indicating that there has been a transfer of risks and rewards to the customer, no further work or processing is required, the quantity and quality of the goods has been determined, the price is fixed and generally title has passed (for shipped goods this is the bill of lading date).

(b) Interest revenue

Interest income is recognised as interest accrues using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(c) Government grants

Revenue from government grants is recognised when received and all attaching conditions have been complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

(d) Commercialisation alliance income

Revenues are generated from licensing arrangements under which third parties are granted rights to certain of our products and technologies. Upfront payments and similar non-refundable payments received under these agreements are recognised in income upon the achievement of the required acts and no remaining obligations exist. Milestone payments linked to the achievement of a significant and substantive technical/regulatory hurdle in the research and development process are recognised as revenue upon achievement of the specified milestone.

(w) Income taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax assets have not been recognised as it is not considered probable that taxable profit will be available against which deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

(x) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated Balance Sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(y) Reclassifications

Certain reclassifications have been made in the financial statements to ensure that prior year comparatives conform to the current year representations.

(z) Rounding of amounts

Amounts in the financial report have been rounded off in accordance with Class Order 98/100 issued by the Australian Securities and Investments Commission, which permits "rounding off" amounts to the nearest thousand dollars.

Notes to the Financial Statements

3. SEGMENT INFORMATION

The Group's operations are centred solely in oncology research with head office in Geelong, Australia providing corporate administration duties and offices in Menlo Park California, United States of America, focussing on research, development and clinical trials.

As the Group operates only in one segment, oncology research, segmental reporting is no longer considered appropriate.

Information about geographical areas

(i) Revenue by geographic locations

Revenue by geographical locations is detailed below. Revenue is attributed to geographic location based on the location of the customers.

	CONSOLIDATED	
	2010 $000's	2009 $000's
Sales royalties	308	237
Commercialisation alliance income	17,498	-
Other income	29	871
Finance income	418	457
	18,253	1,565
Australia	431	1,308
Europe	17,806	237
United States	16	20
	18,253	1,565

(ii) Non-current assets by geographic locations

Non-current assets detailed by geographic location are detailed below. Non-current assets are attributable to geographic location based on the physical location and ownership of the assets.

Investment in unlisted companies	7	-
Plant & equipment	255	208
Intangible assets and goodwill	58,361	58,740
	58,623	58,948
Australia	52,566	52,579
Europe	2	-
United States	6,055	6,369
	58,623	58,948

Notes to the Financial Statements

	Notes	CONSOLIDATED 2010 $000's	2009 $000's
4. REVENUES			
(a) Sales royalties			
Sales		308	145
Royalties		-	92
		308	237
(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 €11,000,000 (A$17,497,793) during the financial year. ChemGenex Pharmaceuticals Ltd will receive up to an additional €74,100,000 in performance milestone payments based on the successful development and commercialisation of omacetaxine. In addition, 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.

(c) Other income			
P3 Grant		-	753
Service agreement income		29	118
		29	871
(d) Finance income			
Bank interest received		418	457

5. EXPENSES

(a) Employee benefits expense			
Wages and salaries		4,367	3,996
Share based payments expense	19	1,712	2,114
Superannuation costs		103	163
Wages on-costs		618	684
		6,800	6,957
(b) Lease payments included in Statement of Comprehensive Income			
Minimum lease payments – operating lease		240	232

Notes to the Financial Statements

	Notes	CONSOLIDATED 2010 $000's	2009 $000's
6. INCOME TAX			
A reconciliation of income tax expense applicable to accounting profit before income tax and income tax expense for the years ended 30 June 2010 and 2009 is as follows:			
Accounting loss before income tax		(5,867)	(25,970)
Tax at statutory rates (30% Australia, 34% USA)		(1,733)	(7,791)
Research and development allowance		(76)	(3)
Non-deductible items-			
Equity based benefits		514	634
Entertainment expenses		3	7
Other differences		(2)	(129)
Adjustments in respect of current income tax of previous years		-	(32)
		(1,294)	(7,314)
Future income tax benefits not recognised/(recognised)		1,445	7,288
Income tax expense/(gain) reported in income statement		151	(26)

Deferred income tax benefits
Future income tax benefit arising from tax losses of the parent and a controlled entity not recognised at reporting date as realisation of the benefit is not regarded as probable.

Revenue losses		30,761	29,316
Capital Gains Tax losses		436	436
		31,197	29,752

This deferred income tax benefit will only be obtained if:
(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
(b) the conditions for deductibility imposed by tax legislation continue to be complied with, including continuity of ownership and same business tests; and
(c) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

Deferred income tax liabilities
At 30 June 2010 there is no recognised or unrecognised deferred income tax liabilities included (2009: $nil).

Notes to the Financial Statements

7. LOSS PER SHARE

Basic loss per share is determined by dividing the loss after income tax by the weighted average number of ordinary shares outstanding during the period.

The computation of diluted loss per share is similar to basic loss per share, except that it assumes the potentially dilutive securities, such as share options, were converted to shares as of the beginning of the period. For all periods presented, diluted loss per share is equivalent to basic loss per share as the potentially dilutive securities are excluded from the computation of diluted loss per share because the effect is anti-dilutive.

The following reflects the income and share data used in the earnings per share computations:

	CONSOLIDATED 2010 $000's	CONSOLIDATED 2009 $000's
Net loss attributable to ordinary shareholders	(6,018)	(25,944)
	Number of shares 2010	Number of shares 2009
Weighted average number of ordinary shares used in calculating earnings per share:	282,828,156	241,328,634

There are 31,500,328 share options outstanding at 30 June 2010 (2009: 57,240,669) that could potentially dilute basic earnings per share in the future, however were not included in the calculation of diluted earnings per share because they are anti-dilutive.

8. DIVIDENDS PAID AND PROPOSED

There were no dividends paid or proposed during the year ended 30 June 2010 and there have been no dividends paid or proposed since reporting date and before the completion of these financial statements.

	CONSOLIDATED 2010 $000's	CONSOLIDATED 2009 $000's
9. CASH FLOW STATEMENT RECONCILIATION		
Reconciliation of the net (loss) after tax to the net cash flows used in operations		
Net loss	(6,018)	(25,944)
Adjustments for		
Depreciation of non-current assets	127	146
Interest received	(383)	(457)
Share options expensed	1,712	2,114
Loss on disposal of fixed assets	39	-
Foreign exchange loss / (gain)	440	-
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	35	(133)
(Increase)/decrease in prepayments	(130)	295
(Increase)/decrease in inventory	27	(27)
Increase/(decrease) in trade and other payables	(602)	(266)
Increase/(decrease) in provisions	76	36
Increase/(decrease) in provision for income tax	(101)	88
Net cash flow used in operating activities	(4,778)	(24,148)

Notes to the Financial Statements

	CONSOLIDATED 2010 $000's	2009 $000's
10. CASH AND CASH EQUIVALENTS		
Cash at bank and at hand	12,802	17,655
11. TRADE AND OTHER RECEIVABLES		
Trade debtors (i)	64	133
Interest receivable	34	-
	98	133
12. INVENTORIES		
Stock on hand	-	27
13. AVAILABLE-FOR-SALE INVESTMENTS		
Shares – Australian unlisted (at fair value)	7	-

Terms and conditions

(i) Trade debtors are non-interest bearing and generally on 30 day terms.

Inventory expense

Inventories recognised as an expense for the year ended 30 June 2010 totalled $70,945 (2009: $9,386) for the Group. This expense has been included in the cost of goods sold line item as a cost of inventories.

The available-for-sale investment consists of an investment in ordinary shares in an Australian unlisted public company, and therefore has no fixed maturity date or coupon rate. The fair value of the ordinary shares has been estimated based on a recent arm's length market transaction.

Notes to the Financial Statements

14. PLANT AND EQUIPMENT

	CONSOLIDATED		
	Office equipment $000's	Research equipment $000's	Total $000's
Year ended 30 June 2010			
As at 1 July 2009 net of accumulated depreciation	208	-	208
Additions	151	-	151
Disposals	(39)	-	(39)
Depreciation charges for the year	(127)	-	(127)
Exchange difference	62	-	62
As at 30 June 2010, net of accumulated depreciation	255	-	255
At 1 July 2009			
Cost	430	-	430
Accumulated depreciation and impairment	(222)	-	(222)
Net carrying amount	208	-	208
At 30 June 2010			
Cost	525	-	525
Accumulated depreciation and impairment	(270)	-	(270)
Net carrying amount	255	-	255
Year ended 30 June 2009			
As at 1 July 2008 net of accumulated depreciation	355	-	355
Additions	89	-	89
Disposals	(82)	-	(82)
Depreciation charges for the year	(146)	-	(146)
Exchange difference	(8)	-	(8)
As at 30 June 2009, net of accumulated depreciation	208	-	208
At 1 July 2008			
Cost	504	1,604	2,108
Accumulated depreciation and impairment	(149)	(1,604)	(1,753)
Net carrying amount	355	-	355
At 30 June 2009			
Cost	430	-	430
Accumulated depreciation and impairment	(222)	-	(222)
Net carrying amount	208	-	208

Notes to the Financial Statements

15. INTANGIBLE ASSETS AND GOODWILL

	CONSOLIDATED		
	Goodwill	Intellectual Property	Total
	$000's	$000's	$000's
Year ended 30 June 2010			
As at 1 July 2009 net of accumulated amortisation	15,919	42,821	58,740
Foreign currency revaluation	(379)	-	(379)
As at 30 June 2010 net of accumulated amortisation	15,540	42,821	58,361
At 1 July 2009			
Cost (gross carrying amount)	15,919	42,821	58,740
Accumulated amortisation and impairment	-	-	-
Net carrying amount	15,919	42,821	58,740
At 30 June 2010			
Cost (gross carrying amount)	15,540	42,821	58,361
Accumulated amortisation and impairment	-	-	-
Net carrying amount	15,540	42,821	58,361
Year ended 30 June 2009			
As at 1 July 2008 net of accumulated amortisation	16,932	-	16,932
Additions (i)	-	42,821	42,821
Foreign currency revaluation	(1,013)	-	(1,013)
As at 30 June 2009 net of accumulated amortisation	15,919	42,821	58,740
At 1 July 2008			
Cost (gross carrying amount)	16,932	-	16,932
Accumulated amortisation and impairment	-	-	-
Net carrying amount	16,932	-	16,932
At 30 June 2009			
Cost (gross carrying amount)	15,919	42,821	58,740
Accumulated amortisation and impairment	-	-	-
Net carrying amount	15,919	42,821	58,740

Intangible assets and goodwill are based on the intellectual property previously held by ChemGenex Therapeutics Inc. This intellectual property relates to chemical compounds which have not yet received regulatory approval, and therefore a finite life for any products associated with these compounds cannot be determined.

As at 30 June 2010 these assets were tested for impairment. No impairment loss was charged for the year ended 30 June 2010 (2009: nil).

(i) On 23 July 2008, following shareholder approval at an Extraordinary General Meeting held on 22 July 2008, the Company issued 37,235,343 ordinary fully paid shares to Stragen International N.V. The shares were issued as a condition to an Intellectual Property Assignment Deed under which the Company obtained full commercial control of omacetaxine in Europe. In accordance with Australian Accounting Standards these shares have been valued at $1.15 each, resulting in a total carrying value of $42,820,644.

Notes to the Financial Statements

15. INTANGIBLE ASSETS AND GOODWILL (CONT)

Impairment tests of goodwill and intangibles with indefinite useful lives

(i) Description of the cash generating units and other relevant information

Goodwill acquired through a business combination of $16.9m (net carrying amount: $15.5m) and intellectual property of $42.8m relate to one individual cash generating unit for impairment testing, being anti-cancer compounds.

The recoverable amount of the anti-cancer compounds have been determined based on a value in use calculation using cash flow projections based on financial budgets, information from scientific journals on the existing incidence of the disease, projections of patients that would be eligible for the proposed treatment and the expected growth figures.

The valuation has been based on a cash flow projection covering the remaining term for each relevant patent application, which can exceed 5 years yet does not exceed 20 years. No residual values have been included.

The Company is currently investing significant funds in research and development, as products move through each phase of required clinical development to achieve regulatory approval in regulated markets. Product development can take several years. Due to the product development timeline, significant sales are forecasted to be earned once products reach certain stages of regulatory approval. Therefore it is appropriate to recognise the potential sales, and expected strong growth in sales, beyond a five year projection. The cash flow model has incorporated projected cash flows from between 5 to 20 years based on the patent life in lieu of using a terminal value to better reflect the nature of the cash flows to be received over the product life cycle. The application of extended cash flow projections beyond five years is consistent with AASB 136.134(d)(iii).

ChemGenex's senior management obtained an external valuation from an independent valuer to value the anti-cancer compound assets, which were valued using a discounted cash flow. The carrying values of the anti-cancer compounds were supported by the valuation.

(ii) Key assumptions used in value in use calculations for 30 June 2010 and 30 June 2009

The calculation of value in use for the anti-cancer compounds is most sensitive to the following assumptions-

- Availability of patients
- Discount rate
- Raw material costs
- Indirect costs
- Probability of regulatory approval

The availability of patients is dependent upon the incidence of the disease (estimated determined from scientific journals) and from projections of the likely use of the products (based on the current status of alternative treatments).

Due to the uncertainty associated with cash flow projections for products that have not yet received regulatory approval an implied post-tax discount rate of approximately 15% has been applied.

Raw materials costs used in the projection are based on the latest manufacturing agreement with Stragen which provides exclusive access to omacetaxine at an agreed price for the remainder of the valuation period.

Indirect costs have been based on industry standards for companies with pharmaceutical products in the market as cost structures in the Company's current development stage are not deemed to be appropriate.

Probability of regulatory approval is based on management's best estimate and mean industry average.

Notes to the Financial Statements

	Notes	CONSOLIDATED 2010 $000's	2009 $000's
16. TRADE AND OTHER PAYABLES			
Trade creditors and accruals		2,256	2,796
		2,256	2,796

Trade payables are non-interest bearing and are normally settled on 30 day terms.
As at 30 June 2010 the amount owing to related parties and included in trade and other payables was $Nil (2009: $Nil).
Refer to Note 25 for related party disclosures.

17. EMPLOYEE ENTITLEMENTS

Current		
Provision for annual leave	387	321
Non – Current		
Provision for long service leave	99	89
	486	410

18. ISSUED CAPITAL AND RESERVES

	Number of shares 2010	Number of shares 2009	$000's 2010	$000's 2009
Ordinary shares				
Issued and fully paid	283,348,870	282,418,215	164,599	164,163

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holders to one vote per share, either in person or by proxy, at a meeting of the Company.

Movement in ordinary shares on issue		No. shares	$000's
Year ended 30 June 2010			
At 1 July 2009		282,418,215	164,163
Share issues	(i)	930,655	446
Transaction costs of share issues		-	(10)
At 30 June 2010		283,348,870	164,599
Year ended 30 June 2009			
At 1 July 2008		187,112,274	108,999
Share issues	(ii)	58,070,598	31,424
Transaction costs of share issues		-	(1,172)
Shares issued for intellectual property	(iii)	37,235,343	42,821
Capital reduction by in specie distribution	(iv)	-	(17,909)
At 30 June 2009		282,418,215	164,163

Notes to the Financial Statements

18. ISSUED CAPITAL AND RESERVES (CONT)

For year ended 30 June 2010

(i) 4,847 ordinary shares were issued at an issue price of $1.18 each raising $5,719 upon the exercise of CXSO listed options. 808 ordinary shares were issued at an issue price of $0.68 each raising $549 upon the exercise of CXSOA listed options. 925,000 ordinary shares were issued at an issue price between $0.34 and $0.79 each, raising $440,150 upon the exercise of unlisted options previously issued under the ESOP.

For year ended 30 June 2009

(ii) On 17 September 2008 the Company announced the placement of 15,216,153 ordinary fully paid shares at 85 cents each, raising a total of $12,933,730. In accordance with ASX Listing Rules this issue was ratified by shareholders at the 2008 Annual General Meeting of shareholders.

On 13 October 2008 the Company announced that 150,568 shares had been issued under a Share Placement Programme to existing shareholders on the same terms as the issue on 17 September 2008.

In April 2009 ChemGenex Pharmaceuticals Limited announced a programme of share issues to provide working capital and to continue the Company's ongoing research activities-

- On 9 April 2009 23,255,814 ordinary shares were issued at 43 cents each raising $10,000,000. In accordance with ASX Listing Rules this issue is to be ratified by shareholders at the next Annual General Meeting.
- On 27 May 2009 17,122,453 ordinary shares were issued at 43 cents each raising $7,362,655 under a 1:14 Rights Issue offered to all eligible shareholders by prospectus dated 21 April 2009.
- On 27 May 2009 2,325,580 ordinary shares were issued at 43 cents each raising $999,999. In accordance with ASX Listing Rules this issue is to be ratified by shareholders at the next Annual General Meeting.

On 27 May 2009, 30 ordinary shares were issued at an issue price of $0.68 each, raising $20 upon the exercise of CXSOA listed options.

(iii) On 23 July 2008, following shareholder approval at an Extraordinary General Meeting held on 22 July 2008, the Company issued 37,235,343 ordinary fully paid shares to Stragen International N.V. The shares were issued as a condition to an Intellectual Property Assignment Deed under which the Company obtained full commercial control of omacetaxine mepesuccinate in Europe. In accordance with Australian Accounting Standards these shares have been valued at $1.15 each, resulting in a total carrying value of $42,820,644.

(iv) On 27 November 2008, following shareholder approval at an Annual General Meeting held on 26 November 2008, the issued Share Capital and Accumulated Losses of the Company were reduced by an amount of $17,909,207 each in accordance with the conditions of ATO Class Ruling CR 2008/31 to completely remove all capital raised, and losses incurred, in the former diabetes research program from the ChemGenex Balance Sheet.

Share Options

(i) Listed options

On 12 March 2010, 22,148,790 listed options (code: CXSO on the ASX) were unexercised and expired. At 30 June 2010 there were nil (2009: 22,153,637) unissued ordinary shares for which options were outstanding exercisable at $1.18 per share (2009: $1.18) expiring 12 March 2010.

At 30 June 2010, there were 10,949,328 (2009: 10,950,166) unissued ordinary shares for which options were outstanding exercisable at $0.68 per (2009: $0.68) share expiring 8 February 2012. These options are listed under code CXSOA on the ASX. The exercise price for these options was reduced by 7 cents as part of the in specie distribution approved at the AGM on 28 November 2007.

(ii) Unlisted options issued under ESOP

At the end of the year there were 19,551,000 (2009: 24,136,896) unissued ordinary shares in respect of which ESOP options were outstanding. Refer to Note 19 for more information on ESOP options.

Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits to other stakeholders.

Notes to the Financial Statements

	CONSOLIDATED 2010 $000's	2009 $000's
18. ISSUED CAPITAL AND RESERVES (CONT)		
Other reserves		
Capital profits	649	649
Asset revaluation	150	150
Option premium	10,864	10,864
Equity benefits reserve	8,896	7,184
Foreign exchange translation reserve	(1,956)	(1,281)
	18,603	17,566
Capital profits		
Nature and purpose of reserve		
The capital profits reserve is used to accumulate realised capital profits. The reserve can be used to pay dividends or issue bonus shares.		
Movements in reserve	-	-
Balance at end of year	649	649
Asset revaluation		
Nature and purpose of reserve		
The asset revaluation reserve is used to record increments and decrements in the value of non-current assets prior to the transition to A-IFRS for assets that are carried at deemed cost under A-IFRS. The reserve can only be used to pay dividends in limited circumstances.		
Movements in reserve	-	-
Balance at end of year	150	150
Option premium reserve		
Nature and purpose of reserve		
Amounts contributed for the future right to acquire shares at a pre-determined price. The reserve can be used to pay dividends or issue bonus shares.		
Movements in reserve	-	-
Balance at end of year	10,864	10,864
Equity benefits reserve		
Nature and purpose of reserve		
The equity benefits reserve is used to record the value of equity based benefits provided as remuneration under the ESOP (see Note 15) or to pay for services provided by third parties in lieu of cash.		
Movements in reserve	1,712	2,114
Balance at end of year	8,896	7,184
Foreign exchange translation reserve		
Nature and purpose of reserve		
The foreign exchange translation reserve is used to record exchange differences arising when the assets and liabilities of the overseas subsidiary are translated into the presentation currency of the Parent at the rate of exchange ruling at the balance sheet date and the income statement is translated at the weighted average exchange rates for the period.		
Movements in reserve	(675)	(1)
Balance at end of year	(1,956)	(1,281)

Notes to the Financial Statements

19. SHARE BASED PAYMENT PLANS

(a) Recognised share-based payments expenses

The expense recognised for employee services received during the year is shown in the table below:

	CONSOLIDATED	
	2010	2009
	$000's	$000's
Expense arising from equity settled share based payment transactions	1,712	2,114

(b) Types of share-based payment plans

Employee Share Option Scheme (ESOP)

An Employee Share Option Plan has been established where ChemGenex Pharmaceuticals Limited may, at the discretion of management, grant options over the ordinary shares of ChemGenex Pharmaceuticals Limited to Directors, executives and certain contractors who provide consulting services to the Group. The ESOP is designed to align participants' interests with those of shareholders by increasing the value of the Company's shares.

The options, issued for nil consideration, are granted in accordance with performance guidelines established by the Directors of ChemGenex Pharmaceuticals Limited, who retain the final discretion on the issue of the options. The options cannot be transferred and will not be quoted on the ASX.

(c) Summaries of options granted under ESOP

The following table illustrates the number and weighted average exercise prices (WAEP) of share options issued under the ESOP:

	2010		2009	
	Number	WAEP	Number	WAEP
Balance at beginning of year	24,136,896	$0.81	20,421,000	$0.88
- granted	5,711,000	$0.58	4,720,000	$0.58
- forfeited	(9,371,896)	$0.73	(1,004,104)	$1.08
- exercised	(925,000)[A]	$0.48	-	-
Balance at end of year	19,551,000	$0.80	24,136,896	$0.81
Exercisable at end of year	7,743,375	$0.92	10,547,599	$0.74

[A] The weighted average share price at the date of exercise is $0.73.

The share options outstanding at 30 June 2010 are represented by:

Expiry date	Number of options	Range of exercise price ($)	WAEP ($)
31 Jul 2010	850,000	0.40 – 1.11	1.04
26 Aug 2010	245,000	0.43-1.11	0.98
26 Nov 2012	2,802,500	0.34 – 0.88	0.79
27 Nov 2012	600,000	1.15	1.15
30 Nov 2012	3,900,000	0.82 – 1.11	1.06
26 Mar 2013	1,850,000	1.22	1.22
29 Nov 2013	250,000	1.15	1.15
30 Nov 2013	5,718,500	0.43 – 0.83	0.51
22-25 Jan 2014	555,000	0.94 – 0.99	0.97
30 Nov 2014	2,780,000	0.43 – 0.78	0.51

Notes to the Financial Statements

19. SHARE BASED PAYMENT PLANS (CONT)

(d) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2010 is 2.95 years (2009: 2.97 years).

(e) Range of exercise prices

The range of exercise prices for outstanding options outstanding at the end of the year was $0.34-$1.22 (2009: $0.36-$1.22).

As the range of exercise prices is wide, refer to section (c) above for further information in assessing the number and timing of additional shares that may be issued and the cash that may be received upon exercise of those options.

(f) Options issued during the year and weighted average fair value

The weighted average fair value of options granted during the year was $0.46 (2009: $0.35)

During the year 3,531,000 options were granted to various employees and consultants with fair values ranging from $0.28 to $0.59 and exercise prices from $0.59 to $0.99. These options will vest over the period and expire between 30 November 2013 and 25 January 2014.

On 17 December 2009, 2,180,000 options were granted to Dr Greg Collier (CEO) with a fair value of $0.63 and exercise price of $0.43. These options were issued following shareholder approval at the AGM. The options will vest on 30 November 2013 and expire on 30 November 2014.

(g) Option pricing model

The fair value of the options issued under ESOP is estimated at the date of grant using the Black Scholes valuation method. Where the vesting date is dependent upon the achievement of a future price for listed ordinary shares a Monte Carlo Model has been used to estimate that future vesting date.

The following table gives the assumptions made in determining fair value of options granted during the year ending 30 June 2010 and 2009.

	2010	2009
Dividend yield (%)	0.00	0.00
Expected volatility (%)	55.00	55.00
Risk-free interest rate (%)	5.60	6.50
Expected life of options (years)	4 to 4.96	4.01 to 5.01
Option exercise price ($)	0.43 to 0.99	0.43 to 1.15
Share price at grant date ($)	0.57 to 0.99	0.45 to 0.67
Model used	Black-Scholes	Black Scholes

When calculating the expected life of the options it is assumed the options will not be exercised until the expiry date.

The expected volatility rates used reflect the assumption that historical volatility is indicative of future trends and may not necessarily be the actual outcome.

Other than the assumptions outlined above no other features of the options granted were incorporated into the measurement of fair value.

Notes to the Financial Statements

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, cash and bank deposits and cash equivalents.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange. Aging analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

Primary responsibility for identification and control of financial risks rests with the Chief Financial Officer under the authority of the Chief Executive Officer and the Board. The Board considers proposals for managing each of the risks identified below, including the setting of limits for hedging cover of foreign currency and interest rate risk, credit allowances and future cash flow forecast projections.

Risk Exposures and Responses

(a) Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's cash holdings.

The level of cash is disclosed in Note 10.

At balance date the Group had the following financial assets exposed to variable interest rate risk that are not designated in cash flow hedges

	Consolidated	
	2010 $000's	2009 $000's
Financial assets		
Cash and cash equivalents	12,802	17,655
Financial liabilities	-	-
Net Exposure	12,802	17,655

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to a mix of fixed and variable interest arrangements.

The following sensitivity analysis is based on the interest rate risk exposure at the balance sheet date.

At 30 June 2010, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Consolidated			
	Post Tax Profit Higher / (Lower)		Equity Higher / (Lower)	
Judgements of reasonably possible movements	2010 $	2009 $	2010 $	2009 $
+1% (100 basis points) (2009: +1% (100 basis points))	39,471	76,088	39,471	76,088
-1% (100 basis points) (2009: -0.5% (50 basis points))	(39,471)	(38,044)	(39,471)	(38,044)

The movements in profit and equity are due to higher/lower interest income from variable rate cash balances.

Notes to the Financial Statements

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT)

(b) Foreign currency risk

As a result of significant operations in the United States of America the Group's balance sheet can be affected by movements in the $USD/$AUD exchange rate. Approximately 64% of the Group's expenditure is denominated in $USD, while the Group's presentation currency is $AUD. It is the Group's policy to monitor currency exposures, and to take forward cover, when appropriate, to minimise exposure. There were no forward currency contracts in place as at 30 June 2010. (2009: Nil)

At balance date the Group had the following exposure to USD$ currency not protected by hedging cover. Foreign currency risk arises on financial instruments that are denominated in a foreign currency, that is, in a currency other than the functional currency in which they are measured.

	Consolidated	
	2010 $000's	2009 $000's
Financial assets		
Cash and cash equivalents	1,708	-
Loans to controlled entities	-	804
Financial liabilities		
Loans from controlled entities	(4,033)	-
Trade and other payables	(16)	-
Net exposure	(2,341)	804

The Group constantly analyses its foreign currency exposure. The following sensitivity analysis is based on the foreign currency exposure at the balance sheet date.

At 30 June 2010, if the Australian Dollar had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Consolidated			
	Post tax profit Higher / (Lower)		Equity Higher / (Lower)	
Judgements of reasonably possible movements	2010 $	2009 $	2010 $	2009 $
AUD$/USD$ +15% (2009: AUD$/USD$ +10%)	305,385	(73,083)	305,385	(73,083)
AUD$/USD$ -15% (2009: AUD$/USD$ -5%)	(413,167)	42,311	(413,167)	42,311

Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

(a) Credit risk

As at 30 June 2010 the Group had $98,125 of trade and other receivables (2009: $132,801).
The Group's exposure to credit risk is minimal.

(b) Liquidity risk

The Group's objective is to maintain continuity of funding. As noted in Note 2(b) the Group is currently investigating alternative capital raising opportunities.

Notes to the Financial Statements

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT)

Maturity analysis of financial assets and liabilities based on contractual cash flows

The risk implied from the values shown in the table below, reflects a balanced view of available cash and outflows recognised at 30 June 2010. These assets are considered in the Group's overall liquidity risk.

	Consolidated				
Year ended 30 June 2010	<6 months $000's	6-12 months $000's	1-5 Years $000's	>5 years $000's	Total $000's
Financial assets					
Cash & cash equivalents	12,802	-	-	-	12,802
Trade and other receivables	98	-	-	-	98
Financial liabilities					
Trade & other payables	(2,256)	-	-	-	(2,256)
Net maturity	10,644	-	-	-	10,644

Net fair values

Recognised financial Instruments

Cash and cash equivalents: The carrying amount approximates fair value.

Trade receivables: The carrying amount approximates fair value.

Trade payables: The carrying amount approximates fair value.

21. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Group has nil contingent assets as at 30 June 2010 and 2009, and nil contingent assets have arisen during the period to the date of this report.

The Group has nil contingent liabilities as at 30 June 2010 and 2009, and nil contingent liabilities have arisen during the period to the date of this report.

22. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On the 14th July 2010 the Company announced the results of the 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 CML patients who had failed imatinib and have the T315I mutation. The Company and the U.S. FDA agreed to a potential regulatory path to progress OMAPRO by combining data from two completed clinical studies and submit a new NDA for OMAPRO in CML patients who have failed prior treatment with two or more currently approved TKI's, regardless of their mutation status.

Notes to the Financial Statements

	Notes	CONSOLIDATED 2010 $000's	2009 $000's
23. COMMITMENTS			
(a) Research expenditure commitments			
Estimated research expenditure contracted for at reporting date, but not provided for, payable:			
– not later than one year		2,111	2,518
– later than one year and not later than five years		-	315
A controlled entity, ChemGenex Pharmaceuticals Inc. has appointed Premier Research and Medpace to undertake research activities associated with omacetaxine phase 2/3 clinical trials for CML patients. Patients recruited for clinical trials are guaranteed a level of treatment beyond the trial period. Commitments for later than one year and less than five years are based estimates of patient numbers and future treatments required.			
ChemGenex Pharmaceuticals Ltd has contracted Stragen Pharma to supply drug product to support the continued research and development activities. Stragen Pharma is a related party as disclosed in note 25.			
		2,111	2,833
(c) Property lease commitments			
ChemGenex Pharmaceuticals, Inc. leases office space in Menlo Park, California, under a lease agreement which terminates on 30 April 2013.			
ChemGenex Pharmaceuticals Limited leases office space in Geelong, Victoria under a lease agreement that expires on 31 December 2012.			
- not later than one year		355	164
- later than one year and not later than 5 years		679	148
		1,034	312

24. DIRECTOR AND KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Compensation for key management personnel

	2010 $	2009 $
Short term employee benefits	2,454,195	3,587,307
Post employment (superannuation)	79,500	175,780
Share-based payment expense	1,158,746	1,021,754
	3,692,441	4,784,841

Notes to the Financial Statements

24. DIRECTOR AND KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT)

(b) Option holdings of key management personnel (consolidated)

30 June 2010

	Balance at beginning of period 1 Jul 2009	Granted as remuneration	Options Exercised	Net Change Other #	Balance at end of period 30 Jun 2010	Vested at 30 June 2010 Total	Not exercisable	Exercisable
Non- executive Directors								
J.B.L. Heading	253,333	-	-	-	253,333	253,333	50,000	203,333
E.J. Schnee*	4,689,308	-	-	-	4,689,308	4,689,308	50,000	4,639,308
Dr. G.E.D. Brooke*	2,986,065	-	-	-	2,986,065	2,986,065	50,000	2,936,065
D.S. Janney*	6,338,053	-	-	-	6,338,053	6,338,053	50,000	6,288,053
Dr .G. Morstyn	250,000	-	-	-	250,000	250,000	50,000	200,000
J.-L. Tétard*^	1,250,000	-	-	(1,000,000)	250,000	250,000	50,000	200,000
D. Santel	250,000	-	-	(250,000)	-	-	-	-
Dr. J. Cherrington	250,000	-	-	(250,000)	-	-	-	-
Executive Directors								
Dr. G.R. Collier	4,600,000	2,180,000	-	(3,400,000)	3,380,000	3,380,000	2,780,000	600,000
Dr. D.M. Brown	1,750,000	-	-	(1,750,000)	-	-	-	-
Other key management								
Dr. J. Campbell	2,685,167	-	-	(385,000)	2,300,167	2,300,167	1,200,000	1,100,167
Dr. A. Craig	3,387,500	-	-	-	3,387,500	3,387,500	2,043,750	1,343,750
T. DeZao	-	2,376,000	-	-	2,376,000	2,376,000	1,782,000	594,000
T. O'Neill	-	200,000	-	-	200,000	200,000	200,000	-
E. Humphriss	725,000	18,750	-	-	743,750	743,750	370,000	373,750
Total	29,414,426	4,774,750	-	(7,035,000)	27,154,176	27,154,176	8,675,750	18,478,426

Includes forfeitures arising from employees / Directors resigning during the year or expired options.
* Includes listed share options held by entities in which Messers Schnee (Merck Santé), Brooke (GBS Venture Partners), Janney (Alta Partners) and Tétard (Stragen International N.V.) hold directorships. Each Director directly holds 250,000 share options.
^Options held by an entity in which Mr. J.-L. Tetard holds a directorship in expired during the year.

Notes to the Financial Statements

24. DIRECTOR AND KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT)

30 June 2009							Vested at 30 June 2009	
	Balance at beginning of period 1 Jul 2008	Granted as remuneration	Options Exercised	Net Change Other #	Balance at end of period 30 June 2009	Total	Not exercisable	Exercisable
Non- executive Directors								
J.B.L. Heading	253,333	-	-	-	253,333	253,333	100,000	153,333
E.J. Schnee*	4,689,308	-	-	-	4,689,308	4,689,308	100,000	4,589,308
Dr. G.E.D. Brooke*	2,986,065	-	-	-	2,986,065	2,986,065	100,000	2,886,065
D.S. Janney*	6,338,053	-	-	-	6,338,053	6,338,053	100,000	6,238,053
Dr .G. Morstyn	250,000	-	-	-	250,000	250,000	100,000	150,000
D. Santel	250,000	-	-	-	250,000	250,000	100,000	150,000
Dr. J. Cherrington	250,000	-	-	-	250,000	250,000	100,000	150,000
J.-L. Tétard ^	1,000,000	250,000	-	-	1,250,000	1,250,000	100,000	1,150,000
Executive Directors								
Dr. G.R. Collier	4,600,000	-	-	-	4,600,000	4,600,000	1,600,000	3,000,000
Dr. D.M. Brown	1,750,000	-	-	-	1,750,000	1,750,000	1,125,000	625,000
Other key management								
Dr. J. Campbell	1,885,167	800,000	-	-	2,685,167	2,685,167	1,700,000	985,167
Dr. A. Craig	2,262,500	1,125,000	-	-	3,387,500	3,387,500	2,787,500	600,000
E. Humphriss	590,000	135,000	-	-	725,000	725,000	510,000	215,000
E. Merrigan	1,701,667	-	-	(750,000)	951,667	951,667	-	951,667
L. Staiger	500,000	300,000	-	-	800,000	800,000	675,000	125,000
T. Herbert	550,000	120,000	-	-	670,000	670,000	420,000	250,000
T. Trapp	500,000	130,000	-	-	630,000	630,000	430,000	200,000
P. Lynch	400,000	120,000	-	-	520,000	520,000	420,000	100,000
Total	30,756,093	2,980,000	-	(750,000)	32,986,093	32,986,093	10,467,500	22,518,593

Includes forfeitures arising from employees / Directors resigning during the year or expired options.
* Includes listed share options held by entities in which Messers Schnee (Merck Santé), Brooke (GBS Venture Partners), Janney (Alta Partners) and Tétard (Stragen International N.V.) hold directorships. Each Director directly holds 250,000 share options.
^ Mr. J.-L. Tétard became a Director on 5 August 2008 and the options held by an entity in which he holds a directorship are added to the opening balance at 1 July 2008.

Notes to the Financial Statements

24. DIRECTOR AND KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT)

(c) Ordinary shareholdings by key management personnel (consolidated)

30 June 2010	Balance 1 July 2009	Granted as Remuneration	On Exercise of Options	Net Change Other #	Balance 30 June 2010
Non- executive Directors					
J.B.L. Heading	131,562	-	-	-	131,562
E.J. Schnee*	24,057,922	-	-	-	24,057,922
Dr. G.E.D. Brooke*	21,942,255	-	-	-	21,942,255
D.S. Janney*	42,672,641	-	-	-	42,672,641
J.-L. Tétard*	37,235,343	-	-	-	37,235,343
Dr. G. Morstyn	-	-	-	41,375	41,375
Executive Directors					
Dr. D.M. Brown	13,876,552	-	-	(13,876,552)	-
Dr. G. Collier	410,143	-	-	-	410,143
Other key management		-	-	-	
Dr. J. Campbell	10,000	-	-	-	10,000
Total	140,336,418	-	-	(13,835,177)	126,501,241

Includes employee / Director resignations.
* Includes listed shares held by entities in which Messers Schnee (Merck Santé), Brooke (GBS Venture Partners), Janney (Alta Partners) and Tétard (Stragen International N.V.) hold directorships.
# Includes listed shares held by related party of Dr. G. Collier.

30 June 2009	Balance 1 July 2008	Granted as Remuneration	On Exercise of Options	Net Change Other *	Balance 30 June 2009
Non- executive Directors					
J.B.L. Heading	110,000	-	-	21,562	131,562
E.J. Schnee*	18,833,750	-	-	5,224,172	24,057,922
Dr. G.E.D. Brooke*	16,629,765	-	-	5,312,490	21,942,255
D.S. Janney*	37,009,671	-	-	5,662,970	42,672,641
J.-L. Tétard*^	-	-	-	37,235,343	37,235,343
Executive Directors		-	-	-	-
Dr. D.M. Brown	13,876,552	-	-	-	13,876,552
Dr. G. Collier#	410,143	-	-	-	410,143
Executives					
Dr. J. Campbell	5,500	-	-	4,500	10,000
T. Herbert	760,027	-	-	-	760,027
E. Merrigan	55,000	-	-	25,000	80,000
Total	87,690,408	-	-	53,486,037	141,176,445

* Includes listed shares held by entities in which Messers Schnee (Merck Santé), Brooke (GBS Venture Partners), Janney (Alta Partners) and Tétard (Stragen International N.V.) hold directorships.
^ Mr. J.-L. Tétard became a Director on 5 August 2008 and the shares held by an entity in which he holds a directorship are added to the total for the year ended 30 June 2009.
# Includes listed shares held by related party of Dr. G. Collier.

All equity transactions with Directors and executives other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

Notes to the Financial Statements

24. DIRECTOR AND KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT)

(d) Loans to Directors and executives

Options granted under the ESOP in 2000 and 2001 contained an issue price which the Company, in accordance with the terms of the ESOP, funded via an interest free "off balance sheet" loan to the option holder. The loan is repayable upon the sale of shares obtained through exercise of the options.

Dr. Greg Collier received 100,000 options issued under the ESOP in the 2000 and 2001 financial years. The options granted contained an issue price which the Company, in accordance with the terms of the ESOP, funded via an interest-free "off balance sheet" loan to the option holder. Since issuance no repayments have been made and the balance of $96,820 has been outstanding. Neither the loan nor equity items relating to these options have been included in the Company's financial statements as share price hurdle rates associated with these options have not been achieved.

On 31 March 2010, the options relating to these loans expired. Interest not charged for the year ended 30 June 2010 of $2,784 has been included in the Remuneration Report as a non-monetary benefit (2009: $3,834).

There are no other loans to specified Directors and specified executives and there have been no other loans made to or repaid by specified Directors and specified executives during the years ended 30 June 2010 and 2009.

25. RELATED PARTY DISCLOSURES

Transactions with ultimate parent

ChemGenex Pharmaceuticals Limited is the ultimate Australian parent company.

	2010	2009
Transactions by parent with subsidiary companies	$	$
Amount paid/payable to ChemGenex Pharmaceuticals Inc. for research activities	16,497,783	12,792,656
Amount paid to ChemGenex Europe SAS. for research activities	709,850	1,251,076
Amount owing from / (to) ChemGenex Pharmaceuticals Inc. as at 30 June	(4,033,323)	803,912
Amount owing from / (to) ChemGenex Europe SAS. as at 30 June	(46,244)	(125,343)

Loans to Subsidiaries

Amounts owing between subsidiaries and the parent are payable on 45 day terms.
Interest charged for outstanding loan amounts in the year to 30 June 2010 was nil (2009: nil).

Transactions between subsidiaries

There were no transactions between subsidiaries in the years ended 30 June 2010 and 2009.

Notes to the Financial Statements

25. RELATED PARTY DISCLOSURES (CONT)

Amounts recognised at the reporting date as related party transactions:

Assets and Liabilities	2010 $	2009 $	Revenues and Expenses	2010 $	2009 $
Assets			Revenues		
Trade receivables[1]	-	96,925	Sales royalties[1]	267,231	237,788
Total Assets	-	96,925	Total Revenues	267,231	237,788
Liabilities			Expenses		
Trade and other payables[2,3]	137,798	9,870	Legal services provided[3]	227,685	77,206
			Manufacturing and consulting services provided[2]	988,266	2,464,975
Total Liabilities	137,798	9,870	Total Expenses	1,215,911	2,542,181

[1]During the year ended 30 June 2010 sales royalties to the value of $267,231 (2009: 237,388) were earned from Stragen France, a pharmaceutical corporation of which Mr J.-L. Tétard, a Director of ChemGenex Pharmaceuticals Limited, is part-owner. As at 30 June 2010 no amounts were owing from Stragen France (2009: $96,625).

[2]During the year ended 30 June 2010 manufacturing and consulting services to the value of $988,266 (2009: $2,464,975) 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, $122,836 is owing to Stragen Group (2009: $4,755).

[3]During the year ended 30 June 2010 legal services to the value of $227,685 (2009: $77,206) 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 30 June 2010, $14,962 is owing to McCullough Robertson (2009: $5,115).

26. AUDITORS' REMUNERATION

	Notes	CONSOLIDATED 2010 $	2009 $
Amounts received or due and receivable by Ernst & Young (Australia) for:			
➢ an audit or review of the financial report of the entity and any other entity in the consolidated entity		108,550	110,916
➢ other services in relation to the entity and any other entity in the consolidated entity:			
– tax advice		25,000	-
– other non-audit services		3,870	-
		137,420	110,916
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:			
➢ Assurance related services provided by overseas Ernst & Young firm		21,429	10,627
		158,849	121,543

Notes to the Financial Statements

27. PARENT ENTITY INFORMATION

Information relating to ChemGenex Pharmaceuticals Limited:

	2010 $000's	2009 $000's
Current assets	7,145	7,745
Total assets (i)	78,698	79,310
Current liabilities	(4,798)	(676)
Total liabilities	(4,898)	(765)
Issued capital	164,599	164,163
Retained losses	(111,358)	(104,465)
Capital profits reserve	649	649
Asset revaluation reserve	150	150
Option premium reserve	10,864	10,864
Equity benefits reserve	8,896	7,184
Total equity	73,800	78,545
(Loss) of the parent entity	(6,893)	(26,845)
Total comprehensive income / (expense) of the parent entity	(6,893)	(26,845)
Other information		
Details of guarantees entered into by the parent entity in relation to the debts of its subsidiaries	Nil	Nil
Details of contingent liabilities of the parent entity	Nil	Nil
Details of any contractual commitments by the parent entity for the acquisition of property, plant or equipment.	Nil	Nil

(i) Includes investments in controlled entities of $15,182,789 as detailed in note 28 below.

28. INVESTMENTS

Details of ChemGenex Pharmaceuticals Ltd's investments in controlled entities

Name	Country of incorporation	Percentage of equity interest held by the consolidated entity		Investment	
		2010 %	2009 %	2010 $000's	2009 $000's
ChemGenex Pharmaceuticals Inc.	USA	100	100	15,120	15,120
ChemGenex Europe S.A.S.	France	100	100	63	63
				15,183	15,183

Directors' Declaration

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

(1) In the opinion of the Directors:

(a) the financial statements and notes and the additional disclosures included in the Directors' report designated as audited, of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations 2001;

(b) the financial statements and notes of the consolidated entity are in accordance with International Financial Reporting Standards; and

(c) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

(2) This declaration has been made after receiving the declarations required to be made to Directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2010.

On behalf of the Board

Dr. G.R. Collier
Director

Geelong, 27 August 2010

Independent Auditor's Report

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Independent Auditor's Report to the members of ChemGenex Pharmaceuticals Limited

Report on the Financial Report

We have audited the accompanying financial report of ChemGenex Pharmaceuticals Ltd which comprises the statement of financial position as at 30 June 2010 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the 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 financial report that 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. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met 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.

In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. the financial report of ChemGenex Pharmaceuticals Ltd and its subsidiaries is in accordance with the *Corporations Act 2001*, including:

    i giving a true and fair view of the consolidated entity's financial position at 30 June 2010 and of its performance for the year ended on that date; and

    ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Inherent Uncertainty Regarding Going Concern

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

As outlined in Note 2(b) 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(b) 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.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 18 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of ChemGenex Pharmaceuticals Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Don Brumley
Partner
Melbourne
27 August 2010

Additional 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.-L. Tétard
Dr. D.M. Brown (resigned 21 July 2009)
D. Santel (resigned 21 July 2009)
Dr. J Cherrington (resigned 21 July 2009)

Company Secretary

Dr J. A. Campbell

Registered Office

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

Auditors

Ernst & Young
8 Exhibition Street
Melbourne, Vic 3000

Share Register

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

Stock Exchange

Australia

ChemGenex Pharmaceuticals Limited shares (CXS) and options (CXSO) and (CXSOA) 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

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