

Directors' Report

Your Directors submit the financial report of the Economic Entity for the year ended 30 June 2009.

Directors

The names of Directors who held office during or since the end of the year:

Mr. R.G. Pitcher, AM

Dr. A. J. Radford

Dr. J.S. Rothel

Prof. A. Catanzaro

Mr. J.G. Bennetts

All of the Directors have been in office since the start of the financial year to the date of this report.

Details of the qualifications, experience and special responsibilities of the Directors at the date of this Annual Report are set out on page 6.

Principal Activities

The principal activities of the Company during the course of the financial year were the developing, manufacturing and marketing of medical diagnostic products. There were no significant changes in the nature of the activities of the Company during the year.

Operating Results and Financial Position

The consolidated net profit of the Group after income tax for the year ended 30 June 2009 was \$8,232,000. This substantial improvement over the previous year was largely driven by an 80% increase in revenue. The net profit also benefitted from foreign exchange gains on intercompany debt repayments and amounting to \$1,411,000 before tax and \$988,000 after tax.

The trading performance is reflective of organic business growth. As in past years, notable items continue to be:

- improved revenues in the key USA, European and Japanese markets;
- increased marketing and business development expenditure;
- maintaining and augmenting the customer support and distribution infrastructure;

- the importance of continued research and development expenditure.

Long-term success continues to be the Group's focus with investment in marketing, business development and research and development continuing to be the cornerstone of the future.

The Directors believe the Group is well placed to continue its strategic endeavours to achieve planned business growth.

The Group maintains its model of contract production, direct selling in primary markets, and distribution elsewhere.

\$5,266,000 in cash flow was generated during the year.

The Group's working capital position, being current assets less current liabilities, improved by \$5,811,000 to a net position of \$20,392,000 as at 30 June 2009 and net assets grew by \$6,788,000 to \$22,231,000.

Dividends Paid or Recommended

Dividends paid or declared for payment during the financial year are as follows:

Interim ordinary dividend of \$0.01 per share paid on 13 March 2009 \$960,000

Final ordinary dividend of \$0.02 per share recommended by the Directors to be paid on 9 October 2009 out of the net profit earned in 2009 \$1,920,000

Corporate Goals and Objectives

The Company commercialises and develops QuantiFERON® technology (QFT™) worldwide. The corporate goal is to develop the patented QuantiFERON technology to maximum commercial advantage, exploiting its position as a rapid diagnostic for cellular immune responses, which are significant indicators of infection and immune status for a number of diseases and conditions. Complementary to its current products, the Company intends to develop new products using QuantiFERON technology and, if appropriate, other technologies.

Review of Operations, Future Developments, Prospects and Business Strategies

The last year has seen the predicted growth in sales, and also the forecast increased investment in marketing, technical services (training and product support) and R&D. Substantial infrastructure changes in delivery and customer service facilities have been undertaken to allow for increases in demand in forthcoming years.

... Long-term success continues to be the Group's focus with investment in marketing, business development and research and development continuing to be the cornerstone of the future.

Sales indicate that the trend seen in half-year growth, with A\$7.0m and \$11.8m in the first and second half of 2008 has been maintained during the 2009, where half-year sales of A\$14.5m and A\$20.0m, respectfully, have been achieved. A more complex Elispot based interferon release assay sold in Europe for several years was released in the USA in September 2008; as reflected in the half-year growth, subsequent effects on sales levels of QFT in the USA have not been noticeable.

Foreign exchange fluctuations on trading activities were generally favourable during the year. This is not expected in the current 2010 financial year if the international value of the AUD continues at current higher value. The Company continues to make its procurements, wherever reasonable and effective, in currencies in which revenues are earned.

The Company has exhausted accumulated Australian tax losses, but has \$2.6m of potential taxation benefits (at year end foreign exchange rates) in unrecognised tax losses within overseas subsidiaries.

New guidelines on the use of QFT are expected from the US Centers for Disease Control and Prevention in the near future, and it has been indicated that these will now favour the use of interferon-based testing in certain situations, rather than indicating QFT as an alternative. Other guidelines on QFT testing have been issued in the last year within Europe, and the UK has indicated a revision to current NICE guidelines is planned.

The Directors have reasonable grounds to believe that inclusion of other information regarding likely developments of the Company, and expected results of those actions, would be unreasonably prejudicial to the Company because of their confidential nature.

Significant Changes in State of Affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the year not otherwise disclosed in this report.

After Balance Date Events

No other matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

Environmental Issues

The consolidated group's operations are subject to general environmental regulation under the law of the countries and territories in which it operates. The Directors are not aware of any breaches of these environmental regulations.

Information on Directors

Mr. Ronald G. Pitcher, AM

Qualifications
Experience

Interest in Shares and Options
Special Responsibilities
Directorships held in other listed entities

Dr. Anthony J. Radford

Qualifications
Experience

Interest in Shares and Options
Special Responsibilities
Directorships held in other listed entities

Dr. James S. Rothel

Qualifications
Experience

Interest in Shares and Options
Directorships held in other listed entities

Prof. Antonino Catanzaro

Qualifications
Experience

Interest in Shares and Options
Directorships held in other listed entities

Mr. John G. Bennetts

Qualifications
Experience

Interest in Shares and Options
Special Responsibilities
Directorships held in other listed entities

– Non-executive Chairman (Independent)

- FCA, FCPA, ACAA
- Appointed to the Board as Chairman since 2001.
Mr. Pitcher is a Chartered Accountant with over 45 years experience in the accounting profession and in the provision of business advisory services.
- 160,000 Ordinary Shares in Cellestis Limited
- Chairman of the Audit Committee, Member of the Remuneration Committee
- Current director of National Can Industries Ltd (since 1994) and Reece Australia Ltd (since 2003); chairman of McMillan Shakespeare Ltd (since 2004); former director of Capral Aluminium Ltd (from December 2001 to April 2007)

– Managing Director, Chief Executive Officer

- Dip Corp Man., BSc (Hons), PhD
- Board member since 2000.
Dr. Radford has had a 28 year career in biotechnology, initially as a successful research scientist and as a senior member of the CSIRO team that invented QuantiFERON. Dr. Radford has held executive roles in management of commercial research & development in the medical field prior to joining Cellestis and is a founding Director of Cellestis.
- 12,014,690 Ordinary Shares in Cellestis Limited
- Member of the Remuneration Committee
- Nil

– Executive Director, Chief Scientific Officer

- BAppSc, MAppSc, PhD
- Board member since 2000.
Dr. Rothel has over 30 years experience in biotechnology research and development and was also a senior member of the CSIRO team that invented QuantiFERON. Dr. Rothel was responsible for the development of QuantiFERON at CSL, has extensive experience in diagnostic product development and is a founding Director of Cellestis.
- 12,014,689 Ordinary Shares in Cellestis Limited
- Nil

– Non-executive Director (Independent)

- MD
- Board member since 2001.
Prof. Catanzaro is a Professor of Medicine at the University of California San Diego and a respiratory care physician with over 40 years medical experience in the prevention, diagnosis and treatment of tuberculosis. Prof. Catanzaro has been a member of the Centers for Disease Control (CDC) TB Branch and continues to work with the CDC as a TB Trials Consortium (TBTC) investigator. As a recognized international authority, Prof. Catanzaro heads the National TB Curriculum Consortium in the USA which is dedicated to the strengthening of the teaching of TB to students of medicine, nursing and allied health.
- 175,000 Ordinary Shares in Cellestis Limited and options to acquire a further 75,000 ordinary shares
- Nil

– Non-executive Director (Independent)

- BEc, LLB
- Board member since 2000.
Mr. Bennetts is principal and founder of the Mooroolbark Group, a private equity group which has substantial experience and success in establishing, investing in, and growing businesses and in the international commercialization of new technologies.
- 2,498,607 Ordinary Shares in Cellestis Limited
- Chairman of the Remuneration Committee, Member of the Audit Committee
- Current director of McMillan Shakespeare Ltd (since 2003)

Directors' Report Continued

Company Secretary

The Company Secretary at the end of the financial year is Mr. B.H. Manuel, CA, FCIS, BComm. Mr. Manuel is also employed as the Chief Financial Officer of the Company and was appointed to the joint role in February 2006.

Mr. Manuel is a Chartered Accountant, a Fellow Member of Chartered Secretaries Australia and has a broad range of commercial skills developed through 25 years experience in senior finance, corporate and general management roles.

Meetings of Directors

During the financial year, 15 meetings of Directors (including Committees of Directors) were held. Attendances by each Director during the year were:

	DIRECTORS' MEETINGS		COMMITTEE MEETINGS			
	Number eligible to attend	Number Attended	AUDIT COMMITTEE		REMUNERATION COMMITTEE	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Mr. R.G. Pitcher	9	9	3	3	3	3
Dr. A. J. Radford	9	9	-	-	3	3
Dr. J.S. Rothel	9	9	-	-	-	-
Prof. A. Catanzaro	9	9	-	-	-	-
Mr. J.G. Bennetts	9	7	3	3	3	3

Indemnifying Officers or Auditor

During the financial year the Company paid premiums to insure each of the Directors and Officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director or Officer of the Company to the extent permitted under its Constitution and the Corporations Act 2001, other than conduct involving a willful breach of duty in relation to the Company. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has also entered into a Deed of Access, Indemnity and Insurance (Deed) with each Director, which protects individuals acting as Directors during their term of office and after their resignation. Under the Deed, the Company agrees to indemnify a current or past Director to the full extent of the indemnity given under its Constitution and by the Corporations Act 2001.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an Officer or Auditor of the Company against a liability incurred as such an Officer or Auditor.

Remuneration Report

This report details the nature and amount of remuneration for each Key Management Personnel, including Directors, of Cellestis Limited.

Remuneration policy

The remuneration policy of Cellestis Limited has been designed to align Director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering short and long term incentives based on key performance areas affecting the consolidated group's financial results. The Board of Cellestis Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain executives and Directors to run and manage the consolidated group, as well as create goal congruence between Directors, executives and shareholders.

The remuneration policy, which sets the terms and conditions for the Chief Executive Officer and other senior executives, was developed by the Remuneration Committee and approved by the Board. The Remuneration Committee reviews executive packages annually by reference to Company performance, executive performance, comparable information from industry sectors and other listed companies and independent advice when required.

The Company's remuneration policy is structured to ensure that the remuneration package properly reflects the person's duties, responsibilities and level of performance. Executive remuneration is set with reference to market rates and is competitive in attracting, retaining and motivating people of the highest quality.

Executive remuneration comprises the following elements:

- Fixed remuneration, including superannuation, which is set at a level that reflects the marketplace for each position;
- Equity based remuneration, including share options, which incorporates exercise restrictions based on continuity of employment and the achievement of performance hurdles; and
- Incentive payments based on achievement of operational goals.

The Board's policy is to remunerate Non-executive Directors at market rates for time, commitment and responsibilities. The Remuneration Committee determines payments to the Non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountabilities.

Non-executive Directors are remunerated by way of fees and do not receive payments or retirement benefits other than statutory superannuation.

The maximum aggregate amount of fees that can be paid to Non-executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for Non-executive Directors are not linked to the performance of the Economic Entity.

All remuneration paid to executives is valued at the cost to the Company and expensed.

Options are valued using standard methodologies, being the Binomial methodology for options issued during the 2009 financial year and the Black-Scholes methodology for options issued prior to 1 July 2008. Each share option converts into one ordinary share of Cellestis Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

Executives are entitled to participate in the employee share option arrangements, however Executive Directors are excluded participation.

The Executive Directors and Australian-based Key Management Personnel receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Individuals may choose to sacrifice part of their salary to increase payments towards superannuation.

Performance-based remuneration

As part of Executive Director and other Key Management Personnel remuneration packages there are performance-based components, consisting of Key Performance Indicators (KPIs). The KPIs are set annually, with measures specifically tailored for each Executive Director/ executive and includes short- and long-term goals.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the Remuneration Committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the group's goals before the KPIs are set for the following year.

Company performance, shareholder interests and directors' and executives' remuneration

The remuneration policy utilises both a KPI-based performance bonus and the issue of share options to encourage the alignment of personal and shareholder interests.

The following table shows revenue, operational performance and dividends for the last five years for the listed entity, as well as the share price at the end of the respective financial years.

	2009	2008	2007	2006	2005
	\$000	\$000	\$000	\$000	\$000
Revenue – sales of goods	34,461	18,829	10,654	5,279	1,898
Other income	780	759	729	837	626
Net Profit/ (Loss)	8,232	1,676	(2,277)	(3,622)	(3,349)
Share Price at Year-end	\$3.02	\$2.45	\$3.26	\$3.95	\$2.96
Dividends Paid per share					
- Interim unfranked	\$0.01	-	-	-	-
- Final dividend (1)	\$0.02	-	-	-	-

(1) Declared after the balance date and not reflected in the financial statements; franked to 100% at 30% corporate income tax rate.

Key Management Personnel Remuneration Policy

The Company's policy for determining the nature and amount of emoluments of Executive Directors, officers and senior executives of the Company is based on a number of factors, including length of service, particular experience of the individual concerned, market rates and overall performance of the individual and the Company. The contracts for service between the Company and Executive Directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future. The employment contracts stipulate a range of up to six-month resignation periods. Upon retirement executive directors and executives are paid employee benefit entitlements accrued to the date of their retirement. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time. Any options not exercised before or on the date of termination will lapse.

The group seeks to emphasise payment for results through providing cash bonus reward schemes. Specifically, the bonuses include incentive payments based on key performance indicators such as sales targets, customer and product development. The objective of the reward schemes is to both

reinforce the short- and long-term goals of the Company and to provide a common interest between management and shareholders. Bonuses determined with respect to the 2009 financial year are accrued into the 2009 financial results and paid subsequent to year end.

The employment conditions of the Executive Directors and Senior Executives are formalised in contracts of employment. All executives are permanent employees of Cellestis Limited or its subsidiaries. The Managing Director, Dr. Anthony Radford, is employed under an ongoing contract which commenced in 2001.

Employment Details of Members of Key Management Personnel and Other Executives

The following table provides employment details of persons who were, during the financial year, members of Key Management Personnel of the consolidated group, and to the extent different, among the five group executives or company executives receiving the highest remuneration.

The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options. Proportions may vary depending on achievement against performance hurdles.

Group Key Management Personnel	Position held as at 30 June 2009 *	Contract details (duration & termination)	Proportion of elements of remuneration related to performance		Proportion of elements of remuneration not related to performance	
			Non-salary cash-based incentives %	Options %	Fixed Salary/ Fees %	Total %
Mr. R.G. Pitcher, AM	Non-executive Chairman	No fixed term or specific termination provisions.	-	-	100%	100%
Dr. A.J. Radford	Managing Director/ Chief Executive Officer	Ongoing contract; minimum 6 months notice required to terminate.	16%	-	84%	100%
Dr. J.S. Rothel	Executive Director/ Chief Scientific Officer	Ongoing contract; minimum 6 months notice required to terminate.	15%	-	85%	100%
Prof. A. Catanzaro	Non-executive Director	No fixed term or specific termination provisions.	-	-	100%	100%
Mr. J.G. Bennetts	Non-executive Director	No fixed term or specific termination provisions.	-	-	100%	100%
Mr. M.S. Boyle	General Manager – Cellestis USA	Ongoing contract; no specific termination provisions.	34%	10%	56%	100%
Mr. P.B. Lebeau	General Manager – Cellestis Europe	Ongoing contract; minimum 4 months notice required to terminate.	21%	2%	77%	100%
Mr. B.H. Manuel	Chief Financial Officer/ Company Secretary	Ongoing contract; no specific termination provisions.	11%	12%	77%	100%

* No changes during the year

Directors' Report Continued

Key Management Personnel Remuneration

2009	Short-term Benefits			Post Employment	Share-based Payment	Total
	Salary, Fees & Commissions	Bonus/ Incentive	Non-Cash Benefits	Superannuation Contribution	Options	
Directors	\$000	\$000	\$000	\$000	\$000	\$000
Mr. R.G. Pitcher, AM	65	-	-	6	-	71
Dr. A.J. Radford	229	48	-	21	-	298
Dr. J.S. Rothel	189	35	-	17	-	241
Prof. A. Catanzaro (i)	99	-	-	-	-	99
Mr. J.G. Bennetts	35	-	-	3	-	38
	617	83	-	47	-	747
Senior Executives						
Mr. M.S. Boyle (ii)	191	123	15	-	38	367
Mr. P.B. Lebeau (iii)	234	64	-	-	5	303
Mr. B.H. Manuel (iv)	165	26	-	15	27	233
	590	213	15	15	70	903
Total	1,207	296	15	62	70	1,650
2008						
2008	Short-term Benefits			Post Employment	Share-based Payment	Total
	Salary, Fees & Commissions	Bonus/ Incentive	Non-Cash Benefits	Superannuation Contribution	Options	
Directors	\$000	\$000	\$000	\$000	\$000	\$000
Mr. R.G. Pitcher, AM	65	-	-	6	-	71
Dr. A.J. Radford	192	20	-	17	-	229
Dr. J.S. Rothel	162	20	-	14	-	196
Prof. A. Catanzaro (i)	71	-	-	-	-	71
Mr. J.G. Bennetts	30	-	-	3	-	33
	520	40	-	40	-	600
Senior Executives						
Mr. M.S. Boyle (ii)	144	24	11	-	76	255
Mr. P.B. Lebeau (iii)	303	-	27	-	-	330
Mr. B.H. Manuel (iv)	142	14	-	13	51	220
	589	38	38	13	127	805
Total	1,109	78	38	53	127	1,405

Key Management Personnel Remuneration (continued)

- (i) Prof. Catanzaro was granted 75,000 share options in June 2005 under the Company's option plan. These options lapsed in May 2009 resulting in a \$77,000 credit to Accumulated Losses during the current financial year.

During the year Prof. Catanzaro received consulting fees of USD 45,000 (2008: USD 35,000) in respect of research, advice and marketing activities.

- (ii) Mr Boyle was granted 150,000 share options on 31 October 2006 under the Company's option plan, all of which were vested as at 30 June 2009.

Additionally, Mr Boyle was granted 200,000 share options on 21 April 2009, none of which were vested as at 30 June 2009.

- (iii) Mr Lebeau was granted 200,000 share options in June 2005 under the Company's option plan. These options lapsed in May 2009 resulting in a \$205,000 credit to Accumulated Losses during the current financial year.

Additionally, Mr Lebeau was granted 200,000 share options on 21 April 2009, none of which were vested as at 30 June 2009.

- (iv) Mr Manuel was granted 100,000 share options on 31 October 2006 under the Company's option plan, all of which were vested as at 30 June 2009.

Additionally, Mr Manuel was granted 200,000 share options on 21 April 2009, none of which were vested as at 30 June 2009.

The value of all options granted in this or previous financial years is recognised in compensation over the vesting period of the grant, in accordance with Australian accounting standards.

Performance income as a proportion of total remuneration

Executive directors and executives are paid performance-based bonuses based on set monetary figures, rather than proportions of their salary. This has led to the proportions of remuneration related to performance varying between individuals. The Remuneration Committee has set these bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the consolidated group.

The Remuneration Committee will review the performance bonuses to gauge their effectiveness against achievement of the set goals, and adjust future years' incentives as they see fit, to ensure use of the most cost effective and efficient methods.

Cash Bonuses, Performance-related Bonuses/ Incentives and Share-based Payments

The terms and conditions relating to options and bonuses granted as remuneration during the year to Key Management Personnel and other executives during the year are as follows:

Group Key Management Personnel	Remuneration type	Grant date	Reason for grant	Percentage vested/paid during year %	Percentage lapsed during year %	Percentage remaining as unvested %	Expiry date for vesting or payment
Mr. R.G. Pitcher, AM	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Dr. A.J. Radford	Cash	30.06.09	b	100%	n/a	n/a	n/a
Dr. J.S. Rothel	Cash	30.06.09	b	100%	n/a	n/a	n/a
Prof. A. Catanzaro	Options	31.05.05	c	Nil	100%	Nil	n/a
Mr. J.G. Bennetts	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Mr. M.S. Boyle	Cash	Note a	b	100%	n/a	Nil	n/a
	Options	21.04.09	d	Nil	n/a	100%	21.04.14
	Options	31.10.06	e	Nil	n/a	Nil	31.10.10
Mr. P.B. Lebeau	Cash	Note a	b	100%	n/a	Nil	n/a
	Options	21.04.09	d	Nil	n/a	100%	21.04.14
	Options	31.05.05	c	n/a	100%	n/a	n/a
Mr. B.H. Manuel	Cash	30.06.09	b	100%	n/a	Nil	n/a
	Options	21.04.09	d	Nil	n/a	100%	21.04.14
	Options	31.10.06	e	Nil	n/a	Nil	31.10.10

- a) Determined and paid quarterly.
- b) Cash payments were awarded as part of the Group's incentive and reward system for the retention and rewarding of key executives. Such persons were deemed to have satisfied the prerequisites for the respective amount based upon financial performance and the satisfying of KPIs.
- c) Options granted in 2005 lapsed four years after grant date due to the options not being exercised during the vesting period.
- d) Options granted in April 2009 at an exercise price of \$2.50 as part of the Group's incentive and reward system for the retention and rewarding of key executives. Details of the options are disclosed in Notes 5a and 24 to the Financial Statements.
- e) Options granted in October 2006 at an exercise price of \$3.21 as part of the Group's incentive and reward system for the retention and rewarding of key executives. Details of the options are disclosed in Notes 5a and 24 to the Financial Statements.

All options were issued by Cellestis Limited and entitle the holder to one ordinary share in Cellestis Limited for each option exercised.

Directors' Report Continued

Options Issued as Part of Remuneration for the Year Ended 30 June 2009

Options may be issued to executives as part of their remuneration. Such options are issued to increase goal congruence between executives, directors and shareholders.

During the financial year an aggregate of 600,000 share options were granted to Key Management Personnel as part of their remuneration.

Options Granted

Group Key Management Personnel	Grant details			For the financial year ended 30 June 2009					Overall		
	Date	No.	Value \$000	Exercised no.	Exercised \$000	Lapsed no.	Lapsed \$000	Vested no.	Vested %	Unvested %	Lapsed %
Prof. A. Catanzaro	May 05	75,000	77 *	Nil	Nil	(75,000)	(77)	n/a	Nil	Nil	100%
Mr. M.S. Boyle	Apr 09	200,000	90 #	Nil	Nil	Nil	Nil	Nil	Nil	100%	Nil
	Oct 06	150,000	195 *	Nil	Nil	Nil	Nil	Nil	100%	Nil	Nil
Mr. P.B. Lebeau	Apr 09	200,000	90 #	Nil	Nil	Nil	Nil	Nil	Nil	100%	Nil
	May 05	200,000	205 *	Nil	Nil	(200,000)	(205)	n/a	Nil	Nil	100%
Mr. B.H. Manuel	Apr 09	200,000	90 #	Nil	Nil	Nil	Nil	Nil	Nil	100%	Nil
	Oct 06	100,000	130 *	Nil	Nil	Nil	Nil	Nil	100%	Nil	Nil
				Nil	Nil	(275,000)	(282)	Nil			

* Total value over the vesting period as per the Black-Scholes valuation at the time of the grant.

Total value over the vesting period as per the Binomial valuation method at the time of the grant.

Directors' Report Continued

Options

At the date of this report, the unissued ordinary shares of Cellestis Limited under option are as follows:

Grant Date	First Exercise Date	Date of Expiry	Value at Grant Date	Exercise Price	Number Under Option
31 October 2006	31 October 2007	31 October 2010	\$3.21	\$3.21	622,500
21 April 2009	31 August 2012	21 April 2014	\$2.50	\$2.50	2,200,000
30 April 2009	31 August 2012	30 April 2014	\$2.80	\$2.80	200,000
					<u>3,022,500</u>

During the year ended 30 June 2009, no ordinary shares of Cellestis Limited were issued on the exercise of options granted under the Cellestis Limited Employee Option Plan. No further shares have been issued since that date.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Non-audit Services

The Board of Directors, in accordance with advice from the Audit Committee, considers the provision of non-audit services on the merits of each circumstance to ensure compatibility with the general standard of independence for auditors imposed by the Corporations Act 2001. Specifically:

- all non-audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the financial year, the auditor did not provide any such non-audit services.

Auditor's Declaration

The lead auditor's independence declaration for the year ended 30 June 2009 has been received and can be found on page 16 of the Directors' Report.

Rounding of Amounts

The Company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

This report is signed in accordance with a resolution of the Board of Directors.



Ronald Pitcher
Chairman
3rd September 2009



Anthony Radford
Managing Director