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Dear fellow shareholders,

It is our pleasure to report on an exciting year at Hexima, during which we progressed our lead drug candidate, HXP124, into first-in-human clinical trials. This is a pivotal step in the development of HXP124 as a safe and effective treatment for fungal nail infections (onychomycosis) and a major milestone for Hexima.

HXP124 is an antifungal plant defensin that was identified during Hexima's agricultural plant disease project. Whilst the plant disease project did not result in a commercial product, the plant defensin technology that was developed provided the foundation for Hexima's current human antifungal program.

HXP124 has been formulated for efficient nail penetration and is expected to reach the site of infection in amounts that effectively kill the fungi that are responsible for the infection. Furthermore, HXP124 has a fungicidal mode-of-action and kills fungal cells within 30 minutes. Together, we believe these attributes will make HXP124 a best-in-class treatment for onychomycosis.

The phase I/IIa clinical trial for HXP124 is proceeding well and preliminary results indicate that HXP124 is safe and well tolerated. The response to Facebook and social media advertising for our clinical study has been very strong, reflecting the high demand for an effective treatment for this condition. Prevalence of onychomycosis of the population is estimated to be between 10 and 12% and the global onychomycosis therapeutics market is expected to reach US\$4.7 billion by 2021.

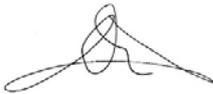
Preliminary efficacy data from the clinical trial is expected prior to the end of 2018. If these results indicate that HXP124 is able to reduce the severity of onychomycosis symptoms, Hexima will develop a clinical trial protocol for phase 2b and phase 3 studies to further investigate the safety and efficacy of HXP124.

During the year we have also made excellent progress on improving the efficiency of the production method for HXP124 and generating data required to demonstrate that HXP124 is stable in our formulation. This work will continue in 2018-2019 to support further clinical and commercial development.

If the results of our current clinical trial are positive, Hexima intends to undertake a capital raising in the first half of 2019 to fund the next stage of clinical development whilst simultaneously progressing licencing discussion with potential commercial partners.

The human antifungal project represents a new direction for Hexima and we are pleased with the success we have achieved in this area. To reflect this new direction, Hexima is considering changing its company name. Options being considered at the moment are Mycologics, Mycothera and Mycocure. We welcome new name suggestions and feedback on this matter so feel free to email us before the 17th of September at info@hexima.com.au. The final name will be put to a shareholder vote at the Hexima AGM in November.

Lastly, we would like to thank our dedicated and hardworking team at Hexima for a successful year and also thank you, our shareholders, for your continued support.



Jonathan West
CHAIRMAN



Nicole van der Weerden
CEO