



24<sup>th</sup> October 2013

Hexima Limited  
ABN 64 079 319 314  
Level 1, 379 Collins Street  
Melbourne Vic 3000  
Telephone 61 3 8610 0555

Dear Shareholder,

Over the past year the Company has accelerated development work on its existing programs and has expanded its research and development pipeline. This has been achieved without an increase in costs. Our primary focus is still the disease program with DuPont Pioneer, which is now in its sixth year. DuPont Pioneer's five year exclusivity period expired in August. We are continuing negotiations to extend the contract, including achieving the key technical milestone. The first field trials of our disease resistant corn plants are expected to commence in the US in early 2014 and this is expected to provide valuable feedback on the commerciality of Hexima's disease program.

Work has commenced on a significant new program that will utilise our existing expertise and we expect to be able to announce details of the program relatively soon. This program strengthens our commercial pipeline and will be externally funded. We are negotiating a commercial agreement for intellectual property generated under the program, which is assessed as having a lower technical risk profile than the Company's disease program.

Hexima's human health initiatives have reached proof of concept phase. Hexima recently entered two collaboration agreements with Acrux Limited to undertake proof of concept work on a therapeutic for non-melanoma skin cancer (the 'NMSC project') and a therapeutic with antifungal properties (the 'Antifungal project'). The Company has received a grant through the Federal Government's Commercialisation Australia program for the NMSC project. The collaboration agreements involve leading public facilities for pre-clinical testing of both therapeutics, and preliminary results have been promising.

The Board and Management have diversified the Company's commercial initiatives to reduce the risk associated with our major development activity having long lead times and a relatively high risk profile. Although the disease program has been successful to date and has entered a stage where the prospects of successful development have increased significantly, there is still a lengthy period to product registration and there are still material technical risks.

The Company expanded its contract service business and glasshouse management services during the year, with further growth forecast for 2014 and beyond. These projects use existing competencies within the Company and provide valuable cash flow that assists in stabilising the Company's capital base. The Company has evolved from having a dual commercial focus (insect and disease resistance) when the IPO was conducted to having five commercial initiatives, including disease resistance with GM crops, a second area of activity with GM crops with insect resistance, human antifungals, cancer therapeutics and contract field trial management.

The diversification of commercial initiatives has occurred while the Company has continued its efforts to reduce operating costs. Cost containment is essential to ensure the Company has an adequate capital base to continue operations while its major projects are taken through to commercialisation. The cash burn rate when the Company listed was ~\$6m p.a. and our projected burn rate for the 2015 year is approximately \$200,000.

The Company's Management are excited about the new potential for growth. The Board has recommended an employee share ownership program to ensure the retention of and continued commitment from key personnel.

Yours sincerely,

**Ross Dobinson**  
Executive Chairman



## FINANCIAL REVIEW

### STATEMENT OF COMPREHENSIVE INCOME

	2013	2012
Revenue	3,252,087	2,960,602
Research & development expenses	(4,453,019)	(4,416,242)
Patent and legal expenses	(312,866)	(290,766)
Management, administration and compliance expenses	(1,253,156)	(1,664,820)
Marketing & business development expenses	(238,741)	(265,534)
Depreciation expense	(238,296)	(241,169)
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	(6,496,078)	(6,878,531)
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<b>Results from operating activities</b>	(3,243,991)	(3,917,929)
Financial income	394,093	712,358
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<b>Net financing income/(expenses)</b>	394,093	712,358
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<b>Loss before income tax</b>	(2,849,898)	(3,205,571)
Income tax expense	-	-
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<b>Loss for the period</b>	(2,849,898)	(3,205,571)
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The Group recorded a loss after tax of \$2.85million for the year ended 30 June 2013. A loss after tax of \$3.2million was recorded for the previous financial year.

Net finance income for the Group for the financial year ended 30 June 2013 was \$0.394million (2012:\$0.712million), reflecting lower cash balances as cash was utilised in the current reporting period, and lower interest rates.

No dividends were paid for the year ended 30 June 2013.



## STATEMENT OF CASH FLOWS

	2013	2012
<b>Cash flows from operating activities</b>		
Cash receipts from government grants & collaboration agreements	3,243,513	628,914
Cash paid to suppliers and employees	(6,103,115)	(6,820,371)
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Net cash (used in) operating activities	<b>(2,859,602)</b>	<b>(6,191,457)</b>
<b>Cash flows from investing activities</b>		
Interest received	398,224	844,952
Payments for plant and equipment	(13,858)	(178,689)
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Net cash ( used in ) investing activities	<b>384,366</b>	<b>666,263</b>
<b>Cash flows from financing activities</b>		
Proceeds from exercise of share options	-	-
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Net cash from financing activities	-	-
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Net (decrease)/ increase in cash and cash equivalents	(2,475,236)	(5,525,194)
Cash and cash equivalents at 1 July	9,789,777	15,314,971
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<b>Cash and cash equivalents at 30 June</b>	<b>7,314,541</b>	<b>9,789,777</b>
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The Group had net cash outflows from operating activities of \$2.9million for the year ended 30 June 2013, compared with \$6.2million for the prior year. The \$3.3million variance resulted from the receipt of the government tax incentive of \$2.3million, higher fee for service income, and lower staffing costs.

At 30 June 2013, Hexima had \$7.3 million in cash. The R&D tax credit program and new commercial initiatives provide a solid base for the Company's development activities.

A copy of the Company's full Annual Financial Report for the year ended 30 June 2013 is available at [www.hexima.com.au](http://www.hexima.com.au).



## Hexima Limited Corporate Directory

ABN 64 079 319 314

### Directors

Mr Ross Dobinson  
Executive Chairman

Mr Steven M Skala AO  
Non-Executive Director

Mr Hugh M Morgan AC  
Non-Executive Director

Professor Jonathan West  
Non-Executive Director

Professor Marilyn A Anderson  
Executive Director, Chief Science Officer

### Company Secretary

Ms Elisha L Larkin

### Registered Office

Level 1, 379 Collins Street  
Melbourne VIC 3000

Telephone: +61 3 8610 0555  
Facsimile: +61 3 8610 0599

[www.hexima.com.au](http://www.hexima.com.au)

### Auditor

KPMG  
147 Collins Street  
Melbourne VIC 3000

### Legal Advisors

Arnold Bloch Leibler  
Level 21, 333 Collins Street  
Melbourne VIC 3000

### Bankers

National Australia Bank  
Westpac Banking Corporation

### Share Registry

Link Market Services Limited  
Level 1, 333 Collins Street  
Melbourne VIC 3000

Telephone: +61 3 8280 7111  
Facsimile: +61 2 9287 0303

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

**For information regarding trading of Hexima shares please contact the Company Secretary at the Registered Office on +61 3 8610 0555.**