

**HEXIMA LIMITED**  
**ABN 64 079 319 314**

**INTERIM CONSOLIDATED FINANCIAL REPORT**

**For the six months ended**

**31 December 2013**

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**HEXIMA LIMITED**  
**ABN 64 079 319 314**

DIRECTORS' REPORT

The Directors present their report of Hexima Limited ("the Company") for the six months ended 31 December 2013 and the review report thereon.

**DIRECTORS**

The Directors of the Company at any time during or since the end of the interim period are:

**Executive**

Mr Ross Dobinson	Executive Chairman	Director since 21 July 2010
Professor Marilyn A Anderson	Executive Director/Chief Science Officer	Director since 23 November 2010

**Non-Executive**

Mr Steven M Skala AO	Non-Executive Director	Director since 17 May 2002, Chairman 2002 until 30 June 2008 and 2 Oct 2009 until 21 July 2010
Mr Hugh M Morgan AC	Non-Executive Director	Director since 10 May 2007
Professor Jonathan West	Non-Executive Director	Director since 7 November 2005

**REVIEW OF OPERATIONS**

**Financial**

Hexima's principal activity comprises research, development and commercialisation of technology for the genetic modification of crops, primarily to enhance their resistance to insects and fungal pathogens. The Company seeks to commercialise its technology platforms in partnership with global agricultural companies.

As at 31 December 2013, Hexima had approximately \$8.5 million in cash, interest receivable, R&D Tax Credit receivable and other receivables. This equates to approximately 3 years of funding. The government's R&D Tax Credit legislation provides Hexima with approximately \$2.2m cash per annum based on current R&D expenditure.

Net cash usage for the six months was \$2.853 million compared with \$0.142 million in the prior corresponding period. This is due primarily to the difference in timing of receipt of the R&D Tax Credit funds. These funds were received in February 2014, whilst the R&D Tax Credit for 2011/12 had been received by December 31 2012.

Hexima recorded a loss of \$1.405 million for the six months ended 31 December 2013 compared to a loss of \$1.581 million for the previous corresponding period.

Operating expenditure increased by \$0.297 million in the six months ended 31 December 2013 in comparison to the corresponding period.

Net finance income for the six months ended 31 December 2013 was \$0.100 million compared with \$0.230 million for the previous corresponding period. This result reflects the lower funds on term deposit.

**Operations**

Hexima's lead fungal disease control technology is being developed with DuPont Pioneer. This agreement provides a path to market for the Company's technology in corn and soy applications, which are two of the current lead GM crops, accounting for more than 80% of the area planted to GM crops globally. The initial target of the program is broad-spectrum fungal disease resistance in corn, which is the market dominant GM crop by value. Fungal pathogens continue to cause extensive damage to corn and soybeans, which is a growing concern as intensive farming techniques and reduced crop rotations encourage fungal growth. Fungal disease is estimated to

DIRECTORS' REPORT

cause yield losses in corn and soybeans costing approximately US\$12billion each year in the United States alone. The Company is continuing to develop and commercialise its insect resistance technology and the MGEV technology platform.

Hexima has also entered into a new multi-year insect protection gene discovery agreement with DuPont Pioneer, commencing in January 2014. The program is fully funded by DuPont Pioneer and combines the experience of Pioneer researchers in characterizing novel insect actives and trait development with Hexima's expertise in biochemistry and insect biology. The collaboration gives Pioneer exclusive rights for the commercial development of traits using genes discovered under the program, with royalties flowing to Hexima. As part of this agreement Pioneer has also secured a non-exclusive research license with a commercial option to Hexima's Multi-Gene Expression Vehicle (MGEV) technology. The MGEV technology enables the delivery of several proteins to a plant from a single transformation event. Pioneer will have the ability to utilise the MGEV technology with leads coming from the Hexima collaboration, as well as under its own independent programs.

The Company has also expanded into fee for service contract work, with a project managing GM canola field trials for a multinational partner progressing in three Australian states. Further opportunities for fee for service work will be pursued to reduce the Company's burn rate (without impacting on the core businesses).

**LEAD AUDITORS' INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

The Lead Auditor's Independence Declaration is set out on page 20 and forms part of the Directors' Report for the six months ended 31 December 2013.

This report is made pursuant to a resolution of the Directors.



Mr Ross Dobinson  
Director



Mr Steven M Skala  
Director

Dated this 25<sup>th</sup> day of February 2014

**HEXIMA LIMITED**  
**ABN 64 079 319 314**

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

	<b>Consolidated</b>	
	<b>31 Dec 2013</b>	<b>31 Dec 2012 \$</b>
Revenue	<u>1,952,254</u>	<u>1,348,802</u>
Research & development expenditure	(2,112,835)	(2,018,792)
Patent expense	(319,474)	(163,141)
Field trial expense	(206,803)	(56,581)
Marketing & development expense	(120,012)	(127,925)
Employee benefits expense	(461,528)	(520,195)
Depreciation expense	(114,911)	(118,810)
Other expenses	<u>(121,293)</u>	<u>(154,121)</u>
	(3,456,856)	(3,159,565)
<b>Results from operating activities</b>	<b><u>(1,504,602)</u></b>	<b><u>(1,810,763)</u></b>
Financial income	<u>99,908</u>	<u>229,831</u>
<b>Net financing income</b>	<b><u>99,908</u></b>	<b><u>229,831</u></b>
<b>Loss before income tax</b>	<b><u>(1,404,694)</u></b>	<b><u>(1,580,932)</u></b>
Income tax expense	<u>-</u>	<u>-</u>
<b>Loss for the period</b>	<b><u><u>(1,404,694)</u></u></b>	<b><u><u>(1,580,932)</u></u></b>
Other comprehensive income for the period, net of income tax	<u>-</u>	<u>-</u>
<b>Total comprehensive (loss) for the period</b>	<b><u><u>(1,404,694)</u></u></b>	<b><u><u>(1,580,932)</u></u></b>
<b>Loss attributable to:</b>		
Owners of the Company	<u>(1,404,694)</u>	<u>(1,580,932)</u>
<b>Loss for the period</b>	<b><u><u>(1,404,694)</u></u></b>	<b><u><u>(1,580,932)</u></u></b>
<b>Total comprehensive loss attributable to:</b>		
Owners of the Company	<u>(1,404,694)</u>	<u>(1,580,932)</u>
<b>Total comprehensive loss for the period</b>	<b><u><u>(1,404,694)</u></u></b>	<b><u><u>(1,580,932)</u></u></b>

The accompanying notes form part of these interim financial statements

**HEXIMA LIMITED**  
**ABN 64 079 319 314**

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>Consolidated</b>	
<b>Notes</b>	<b>31 Dec 2013</b>	<b>30 June 2013</b>
		<b>\$</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	4,461,052	7,314,541
Receivables	4,230,327	2,846,625
<b>TOTAL CURRENT ASSETS</b>	<b>8,691,379</b>	<b>10,161,166</b>
<b>NON-CURRENT ASSETS</b>		
Plant and equipment	2,475,301	2,586,182
<b>TOTAL NON-CURRENT ASSETS</b>	<b>2,475,301</b>	<b>2,586,182</b>
<b>TOTAL ASSETS</b>	<b>11,166,680</b>	<b>12,747,348</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	1,242,640	1,425,987
Employee benefits	83,031	87,107
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,325,671</b>	<b>1,513,094</b>
<b>TOTAL LIABILITIES</b>	<b>1,325,671</b>	<b>1,513,094</b>
<b>NET ASSETS</b>	<b>9,841,009</b>	<b>11,234,254</b>
<b>EQUITY</b>		
Issued capital	8 57,659,830	57,659,830
Reserves	1,075,152	1,063,714
Accumulated losses	(48,893,973)	(47,489,280)
<b>TOTAL EQUITY</b>	<b>9,841,009</b>	<b>11,234,254</b>

The accompanying notes form part of these interim financial statements

**HEXIMA LIMITED**  
**ABN 64 079 319 314**

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

<i>For the six months ended 31 December 2013</i>	Note	Ordinary Shares \$	Equity option reserve \$	Equity compensation reserve \$	Accumulated Losses \$	Total equity \$
<b>2013</b>						
Opening balance at 1 July 2013		57,659,830	200,000	863,704	(47,489,279)	11,234,255
<b>Total comprehensive (loss) for the period</b>						
Net (loss) for the period		-	-	-	(1,404,694)	(1,404,694)
<b>Total comprehensive (loss) for the period</b>		-	-	-	(1,404,694)	(1,404,694)
<b>Transactions with owners, recorded directly in equity</b>						
Equity settled share based payment transactions	8	-	-	11,448	-	11,448
<b>Total transaction with owners</b>		-	-	11,448	-	11,448
<b>Balance at 31 December 2013</b>		57,659,830	200,000	875,152	(48,893,973)	9,841,009
<i>For the six months ended 31 December 2012</i>	Note	Ordinary Shares \$	Equity option reserve \$	Equity compensation reserve \$	Accumulated Losses \$	Total equity \$
<b>2012</b>						
Opening balance at 1 July 2012		57,659,830	200,000	819,484	(44,639,381)	14,039,933
<b>Total comprehensive (loss) for the period</b>						
Net (loss) for the period		-	-	-	(1,580,932)	(1,580,932)
<b>Total comprehensive (loss) for the period</b>		-	-	-	(1,580,932)	(1,580,932)
<b>Transactions with owners, recorded directly in equity</b>						
Equity settled share based payment transactions	8	-	-	22,110	-	22,110
<b>Total transaction with owners</b>				22,110		22,110
<b>Balance at 31 December 2012</b>		57,659,830	200,000	841,594	(46,220,313)	12,481,111

The accompanying notes form part of these interim financial statements

**HEXIMA LIMITED**  
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**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

	<b>Consolidated</b>	
	<b>31 Dec 2013</b>	<b>31 Dec 2012</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from government grants & collaboration agreements	219,500	2,794,560
Cash paid to suppliers and employees	<u>(3,160,367)</u>	<u>(3,179,902)</u>
Net cash (used in) operating activities	<u>(2,940,867)</u>	<u>(385,342)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	91,408	247,573
Payments for property, plant and equipment	<u>(4,030)</u>	<u>(3,953)</u>
Net cash from / (used in) investing activities	<u>87,378</u>	<u>243,620</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net cash from financing activities	<u>-</u>	<u>-</u>
Net increase / (decrease) in cash and cash equivalents	(2,853,489)	(141,722)
Cash and cash equivalents at 1 July	<u>7,314,541</u>	<u>9,789,777</u>
Cash and cash equivalents at 31 December	<u>4,461,052</u>	<u>9,648,055</u>

The accompanying notes form part of these interim financial statements



## **Notes to the consolidated interim financial statements for the six months ended 31 December 2013**

### **1. REPORTING ENTITY**

Hexima Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Level 1, 379 Collins Street, Melbourne, Victoria, 3000. Hexima is an agribusiness company actively engaged in the research and development of technology for the protection and enhancement of commercial crops, primarily to enhance their resistance to insects and fungal pathogens.

The interim consolidated financial statement as at and for the six months ended 31 December 2013 comprises the Company and its subsidiaries (together referred to as the consolidated entity).

The consolidated annual financial report of the Group as at and for the year ended 30 June 2013 is available upon request from the Company's registered office at Level 1, 379 Collins Street, Melbourne Victoria 3000 or at [www.hexima.com.au](http://www.hexima.com.au).

### **2. STATEMENT OF COMPLIANCE**

The consolidated interim financial report has been prepared in accordance with *AASB 134 Interim Financial Reporting* and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the annual consolidated financial report of the consolidated entity as at and for the year ended 30 June 2013.

The consolidated interim financial report was approved by the Board of Directors on February 2014.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

Except as described below, the accounting policies applied by the consolidated entity in these consolidated interim financial statements are the same as those applied by the consolidated entity in its consolidated annual financial statements as at and for the year ended 30 June 2013.

## Notes to the consolidated interim financial statements for the six months ended 31 December 2013

### 4. ESTIMATES

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report as at and for the year ended 30 June 2013.

### 5. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with that disclosed in the financial report as at and for the year ended 30 June 2013.

### 6. SEGMENT REPORTING

The Company primarily operates in one sector, being the biotechnology industry developing and/or commercialising agricultural and pharmaceutical biotechnology research. The majority of operations are in Australia.

### 7. PLANT AND EQUIPMENT

#### *Acquisitions*

During the six month period ended 31 December 2013, the consolidated entity acquired assets with a cost of \$4,030.

There were no disposals in the six month period ended 31 December 2013.

### 8. CAPITAL AND RESERVES

Ordinary Shares	Number of Shares	Amount Paid \$
On issue at 1 July 2013	81,180,470	57,659,830
On issue at 31 December 2013 – fully paid	81,180,470	57,659,830

Notes to the consolidated interim financial statements for the six months ended 31 December 2013

8. CAPITAL AND RESERVES (continued)

Ordinary Shares	Number of Shares		Amount Paid \$	
On issue at 1 July 2012	81,101,470		57,659,830	
On issue at 31 December 2012 – fully paid	81,101,470		57,659,830	
	Number of options		Amount Paid	
	2013	2012	2013	2012
			\$	\$
<b>Equity option reserve</b>				
On issue at 1 July	125,000	-	200,000	200,000
Issued during period at \$1.00 exercise price	-	125,000	-	-
On issue at 31 December	125,000	125,000	200,000	200,000
	Number of options		Amount Paid	
	2013	2012	2013	2012
			\$	\$
<b>Equity compensation reserve</b>				
On issue at 1 July	1,000,000	1,090,000	863,704	819,484
Issued as compensation	-	-	11,448	22,110
On issue at 31 December	1,000,000	1,090,000	875,152	841,594
<b>Total Reserve at 31 December</b>	1,125,000	1,215,000	1,075,152	1,041,594

No options were exercised for the six months ended 31 December 2013.

The Company does not have authorised capital or par value in respect of its issued shares. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

**Notes to the consolidated interim financial statements for the six months ended 31 December 2013**

**8. CAPITAL AND RESERVES (continued)**

**Equity Compensation Reserve**

The equity compensation reserve represents the accumulated amount of share options vested and to be vested to key management personnel and other personnel under compensation schemes.

**Equity Option Reserve**

The equity option reserve comprises the accumulated amount of share options issued to other parties.

**Terms and conditions of share options**

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Number of Share Options</b>
30 August 2015	\$1.00	125,000
19 November 2019	\$0.50	1,000,000
		1,215,000

**9. CONTINGENCIES**

**Guarantee and Indemnification**

The consolidated entity (in prior years) had an Institutional Biosafety Committee (IBC) to advise on certain aspects of the Company's field trial applications. The Company has agreed to indemnify, release and forever discharge the members of the IBC from and against any claim or liability, incurred by the members, arising in connection with the conduct of field trials and related applications being undertaken by the Company. The financial exposure from this arrangement is expected to be nil.

**Notes to the consolidated interim financial statements for the six months ended 31 December 2013**

**10. SHARE BASED PAYMENTS**

The terms and conditions of the grants are as follows. All options are to be settled by physical delivery of shares.

<b>Grant date / parties entitled</b>	<b>Number of instruments</b>	<b>Vesting conditions</b>	<b>Contractual life of options</b>
Options granted to key management (Executive Chairman) on 1 December 2010	1,000,000	Four tranches of 250,000 options vesting 15 November 2011 15 November 2012 15 November 2013 15 November 2014	8 years
Options granted to 3 <sup>rd</sup> party for R&D collaboration on 30 August 2012	125,000	Past services, immediate vesting	3 years
<b>Total share options</b>	<b>1,215,000</b>		

**Notes to the consolidated interim financial statements for the six months ended 31 December 2013**

**11. RELATED PARTIES**

***Share Options***

The movement during the reporting period in the number of options over ordinary shares in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

<b>2013</b>	Held at 1 July 2013	Granted as compensation	Exercised	Expired	Held at 31 December 2013	Vested during the period	Vested and exercisable at 31 December 2013
<b>Directors</b>							
Ross Dobinson	1,000,000	-	-	-	1,000,000	250,000	750,000
	1,000,000	-	-	-	1,000,000	250,000	750,000
<b>2012</b>							
<b>2012</b>	Held at 1 July 2012	Granted as compensation	Exercised	Expired	Held at 31 December 2012	Vested during the year	Vested and exercisable at 31 December 2012
<b>Directors</b>							
Ross Dobinson	1,000,000	-	-	-	1,000,000	250,000	500,000
	1,000,000	-	-	-	1,000,000	250,000	500,000

**Notes to the consolidated interim financial statements for the six months ended 31 December 2013**

**11. RELATED PARTIES (continued)**

***Movement in shares***

The movement during the reporting period in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows

<b>2013</b>	Held at 1 July 2013	Purchases	Received on exercise of options	Sales	Held at 31 December 2013
<b>Directors</b>					
Ross Dobinson	-	-	-	-	-
Steven M Skala	4,167,467	-	-	-	4,167,467
Jonathan West	2,000,000	-	-	-	2,000,000
Hugh M Morgan	6,454,503	-	-	-	6,454,503
Marilyn A Anderson	2,381,935	-	-	-	2,381,935
	15,003,905	-	-	-	15,003,905

<b>2012</b>	Held at 1 July 2012	Purchases	Received on exercise of options	Sales	Held at 31 December 2012
<b>Directors</b>					
Ross Dobinson	-	-	-	-	-
Steven M Skala	4,167,467	-	-	-	4,167,467
Jonathan West	2,000,000	-	-	-	2,000,000
Hugh M Morgan	6,454,503	-	-	-	6,454,503
Marilyn A Anderson	2,381,935	-	-	-	2,381,935
	15,003,905	-	-	-	15,003,905

**Notes to the consolidated interim financial statements for the six months ended 31 December 2013**

**11. RELATED PARTIES (continued)**

**Other related parties**

Other key management personnel disclosures with the Company

- a) Professor Anderson is an employee of La Trobe University. During the course of the six months ended 31 December 2013, amounts (including GST) totalling \$3,073,512 (Dec 2012: \$2,983,367) were paid by Hexima to La Trobe University for research work carried out on behalf of the Company. These transactions were conducted on normal commercial terms. Trade accounts and/or accruals payable to La Trobe University at 31 December 2013 were \$960,604 (Dec 2012: \$976,682).

**12. OPERATING LEASES**

**Leases as lessee**

Non-cancellable operating lease rentals are payable as follows:

	<b>Consolidated</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	
Less than one year	78,860	84,777
Between one and five years	118,386	45,049
	<u>197,245</u>	<u>129,825</u>

The consolidated entity leases office premises and land which houses the glass house under an operating lease. The glasshouse which has a written down book value of \$1,905,074 at 31 December 2013 has been built on leased land. The lease rental on the land is at \$10 per annum and this lease expires on 10 December 2018 with an extension, at the Company's option, of 10 years.



**DIRECTORS' DECLARATION**

1. In the opinion of the Directors of Hexima Limited ("the Company"):
- (a) the financial statements and notes, set out on pages 5 to 16, 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 31 December 2013 and of its performance for the six month period ended on that date; and
    - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Melbourne 25<sup>th</sup> day of February 2014.

Signed in accordance with a resolution of the Directors:



Mr Ross Dobinson  
Director



Mr Steven M Skala  
Director