

**HEXIMA LIMITED**



**INTERIM CONSOLIDATED  
FINANCIAL REPORT**

For the six months ended 31 December 2019

**2019**

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## DIRECTORS' REPORT

The Directors present their report of Hexima Limited ("the Company") for the six months ended 31 December 2019 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

Professor Marilyn Anderson AO	Executive Director/Chief Science Officer	Director since 23 November 2010
Dr Nicole van der Weerden	Executive Director/Chief Executive Officer	Director since 16 December 2014
Mr Michael Aldridge	Executive Director/Chief Business Officer	Director since 21 May 2019

#### Non-Executive

Professor Jonathan West	Non-Executive Chairman	Director since 7 November 2005 Appointed Non Executive Chairman 18 November 2014
Dr John Bedbrook	Non-Executive Director	Director since 3 June 2014
Mr G F Dan O'Brien	Non-Executive Director	Director since 18 November 2015
Mr Justin Yap	Non-Executive Director	Director since 17 July 2018
Mr Scott Robertson	Non-Executive Director	Director since 21 November 2018

## REVIEW OF OPERATIONS

### Financial

The principal activity of the Group during the financial year was the research, development and commercialisation of plant-derived proteins and peptides for applications as human therapeutics. As at 31 December 2019, the Group had \$3,776,440 in cash and receivables. This equates to approximately one year of funding at the current cash burn rate.

Net cash inflow for the six months was \$462,237 compared with net cash outflow of \$102,227 in the prior corresponding period. The variance is due to receipt of \$1,400,000 upon the final issue of convertible notes, offset by the reduction in the collaboration receipt from Pioneer for the 12 months to 31 Dec 2019.

Hexima recorded a loss of \$1,789,986 for the six months ended 31 December 2019, compared to a loss of \$919,126 for the previous corresponding period.

Net interest expense for the six months ended 31 December 2019 was \$76,120 compared with net interest income of \$49,694 for the previous corresponding period. This variance is a result of interest on the convertible note issue.

## **DIRECTORS' REPORT**

### **Operations**

During 2019, Hexima continued to make excellent progress towards developing a novel topical treatment (HXP124) for onychomycosis, or fungal nail infections. In a phase I/IIa trial, after daily treatment for just six weeks, patients treated with HXP124 saw greater clearing of the infected nail area and were more likely to have fungus cleared from the nail than vehicle-treated patients. Based on the positive phase I/IIa clinical data obtained for HXP124, Hexima is now raising capital to conduct a multi-centre phase IIb clinical trial. The phase IIb trial is intended to assess the optimal target product profile for HXP124 in a larger cohort of patients to better assess safety and efficacy of HXP124. Capital raised will also fund the scale-up of manufacturing and additional animal toxicology studies to support opening an Investigational New Drug (IND) application with the FDA in early 2021.

Hexima is in the final stages of preparing a Human Research Ethics Committee submission for the upcoming phase IIb trial and will initiate the trial in early Q2 2020. Work is also continuing on process optimisation and manufacturing scale-up to provide material for the next stage of development and prepare for commercial manufacture. Hexima expects to complete engineering batches with a commercial-scale manufacturer in Q2 2020.

In December 2019, work concluded on the joint insect gene discovery program conducted in collaboration with Corteva Agriscience (formerly DuPont Pioneer). During the program, Hexima collected several thousand plant and bacterial samples and screening of these samples for novel insect actives took place in Australia and the United States. The work led to identification of several novel insecticidal genes and work to develop these leads is continuing at Corteva. Hexima maintains a collaborative working relationship with Corteva. Hexima is now utilising the library of plant and bacterial extracts generated through the program to screen for novel antimicrobial molecules and has secured funding through the La Trobe ARC Research Hub for Medicinal Agriculture to conduct this work.

### **Subsequent event**

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

DIRECTORS' REPORT

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

The Lead Auditor's Independence Declaration is set out on page 24 and forms part of the Directors' Report for the six months ended 31 December 2019.

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



Professor Marilyn Anderson  
Chief Science Officer and Director



Dr Nicole van der Weerden  
Chief Executive Officer and Director

Dated this 2<sup>nd</sup> March 2020

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019**

	<b>Consolidated</b>	
	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
Revenue	1,426,643	2,185,053
Research & development expenditure	(2,144,982)	(2,459,589)
Patent expense	(109,464)	(110,585)
Marketing & development expense	(65,855)	(29,010)
Employee benefits expense	(605,952)	(364,535)
Depreciation expense	(83,165)	(88,835)
Other expenses	(131,091)	(101,319)
	<u>(3,140,509)</u>	<u>(3,153,873)</u>
<b>Results from operating activities</b>	<b>(1,713,866)</b>	<b>(968,820)</b>
Finance income	10,015	49,694
Finance expense – interest on convertible notes	(86,135)	-
<b>Net financing income/(expense)</b>	<b>(76,120)</b>	<b>49,694</b>
<b>Loss before income tax</b>	<b>(1,789,986)</b>	<b>(919,126)</b>
Income tax expense	-	-
<b>Loss for the period</b>	<b>(1,789,986)</b>	<b>(919,126)</b>
Other comprehensive income for the period, net of income tax	-	-
<b>Total comprehensive loss for the period</b>	<b>(1,789,986)</b>	<b>(919,126)</b>
<b>Loss attributable to:</b>		
Owners of the Company	(1,789,986)	(919,126)
<b>Loss for the period</b>	<b>(1,789,986)</b>	<b>(919,126)</b>
Total comprehensive loss attributable to:		
Owners of the Company	(1,789,986)	(919,126)
<b>Total comprehensive loss for the period</b>	<b>(1,789,986)</b>	<b>(919,126)</b>

The accompanying notes form part of these interim financial statements

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Consolidated	
	Notes	31 Dec 2019 \$	30 Jun 2019 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		2,421,301	1,950,569
Receivables		1,355,139	2,363,712
<b>TOTAL CURRENT ASSETS</b>		<b>3,776,440</b>	<b>4,314,281</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		1,354,780	1,436,522
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,354,780</b>	<b>1,436,522</b>
<b>TOTAL ASSETS</b>		<b>5,131,220</b>	<b>5,750,803</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,799,855	1,975,098
Loans and Borrowings		3,003,900	1,603,900
Employee benefits		208,007	353,444
<b>TOTAL CURRENT LIABILITIES</b>		<b>5,011,762</b>	<b>3,932,442</b>
<b>TOTAL LIABILITIES</b>		<b>5,011,762</b>	<b>3,932,442</b>
<b>NET ASSETS</b>		<b>119,458</b>	<b>1,818,361</b>
<b>EQUITY</b>			
Issued capital	8	61,006,378	61,006,378
Reserves		1,544,482	1,453,399
Accumulated losses		(62,431,402)	(60,641,416)
<b>TOTAL EQUITY</b>		<b>119,458</b>	<b>1,818,361</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 2019</i>	Note	Ordinary Shares	Equity option reserve	Equity compensation reserve	Capital Raising Reserve	Accumulated Losses	Total equity
		\$	\$	\$	\$	\$	\$
Opening balance at 1 July 2019		61,006,378	200,000	1,253,399	-	(60,641,416)	1,818,361
Net (loss) for the period		-	-	-	-	(1,789,986)	(1,789,986)
<b>Total comprehensive (loss) for the period</b>		-	-	-	-	<b>(1,789,986)</b>	<b>(1,789,986)</b>
<b>Transactions with owners recorded directly in equity</b>							
Capital raising costs		-	-	-	-	-	-
Equity settled share based payment transactions	8	-	-	91,083	-	-	91,083
<b>Total transaction with owners</b>		-	-	91,083	-	-	91,083
<b>Balance at 31 December 2019</b>		<b>61,006,378</b>	<b>200,000</b>	<b>1,344,482</b>	<b>-</b>	<b>(62,431,402)</b>	<b>119,458</b>

<i>For the six months ended 31 December 2018</i>	Note	Ordinary Shares	Equity option reserve	Equity compensation reserve	Capital Raising Reserve	Accumulated Losses	Total equity
		\$	\$	\$	\$	\$	\$
Opening balance at 1 July 2018		60,976,378	200,000	1,138,021	-	(57,745,884)	4,568,515
Net (loss) for the period		-	-	-	-	(919,126)	(919,126)
<b>Total comprehensive (loss) for the period</b>		-	-	-	-	<b>(919,126)</b>	<b>(919,126)</b>
<b>Transactions with owners recorded directly in equity</b>							
Capital raising costs		-	-	-	-	-	-
Equity settled share based payment transactions		-	-	70,119	-	-	70,119
<b>Total transaction with owners</b>		-	-	70,119	-	-	70,119
<b>Balance at 31 December 2018</b>		<b>60,976,378</b>	<b>200,000</b>	<b>1,208,140</b>	<b>-</b>	<b>(58,665,010)</b>	<b>3,719,508</b>

The accompanying notes form part of these interim financial statements



**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019**

	<b>Consolidated</b>	
	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from government grants, tax incentive & collaboration agreements	2,338,783	3,166,713
Cash paid to suppliers and employees	(3,277,782)	(3,278,307)
Net cash used in operating activities	(938,999)	(111,594)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	1,236	9,367
Net cash from investing activities	1,236	9,367
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>		
Cash from Convertible note issue	1,400,000	-
Net cash from financing activities	1,400,000	-
Net increase / (decrease) in cash and cash equivalents	462,237	(102,227)
Effect on movements in exchange rates on foreign currency denominated cash at bank	8,495	40,327
Cash and cash equivalents at 1 July	1,950,569	1,916,417
Cash and cash equivalents at 31 December	2,421,301	1,854,517

The accompanying notes form part of these interim financial statements

## 1. REPORTING ENTITY

Hexima Limited (the “Company”) is a company domiciled in Australia. The address of the Company’s registered office is Level 4, LIMS 2, La Trobe University, Melbourne, Victoria, 3086. Hexima is actively engaged in the research, development and commercialisation of plant derived proteins and peptides for applications as human therapeutics.

The interim consolidated financial statement as at and for the six months ended 31 December 2019 comprises the Company and its subsidiaries (together referred to as the consolidated entity or Group).

The consolidated annual financial report of the Group as at and for the year ended 30 June 2019 is available upon request from the Company’s registered office at Level 4, LIMS 2, LaTrobe University Melbourne Victoria 3086 or at [www.hexima.com.au](http://www.hexima.com.au).

## 2. BASIS OF PREPARATION

### (a) 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 2019.

The consolidated interim financial report was approved by the Board of Directors on 2nd March 2020.

### (b) Material uncertainty regarding the going concern basis of accounting

The financial report is prepared on a going concern basis, which contemplates continuity of normal operations and the realisation of assets and settlement of liabilities in the ordinary course of operations. In making this assessment, the directors have considered future events and conditions for a period of at least 12 months following the approval of these financial statements (the “Relevant Period”).

The Group incurred a loss after tax of \$1,789,986 for the 6 months ended 31 December 2019 (financial year ended 30 June 2019: loss after tax of \$2,895,532) and has a current asset deficiency of \$1,235,322 as at 31 December 2019 (30 June 2019: current asset surplus of \$381,839). Given the history of losses and reduction in the current asset position, the going concern assumption of the Group is dependent on:

- Obtaining additional funding to continue research and commercialisation efforts;
- A sale transaction;
- Successful management of cash flow over the Relevant Period; and/or
- Receipt of the R&D tax incentive from the government, and the Group’s ability to control its expenditures in line with cash resources available.

Notwithstanding the history of operating losses and current asset deficiency, the Directors consider that it is appropriate to prepare the financial statements on a going concern basis based on the following mitigating factors:

- The current asset deficiency includes a convertible note liability of \$3,003,900. Considering the terms of the notes, the most likely outcomes for settlement of this instrument are:
  - The notes are repaid from the proceeds of a qualified sale of the Company or the business prior to 30 December 2020; or

## 2. BASIS OF PREPARATION (continued)

### (b) Going concern basis of accounting (continued)

- No qualified sale occurs prior to 30 December 2020 and the notes convert into equity (shares).

It is unlikely that an insolvency event would occur prior to 30 December 2020 triggering a repayment requirement which the Group may be unable to fund as the Group has cash flow forecasts that demonstrate it has the ability to manage its cash flows adequately through to this date, including noting the points below.

- The Company has a demonstrated history of raising additional funds as needed, and is actively pursuing additional funding.
- Current cash flow forecasts demonstrate that at current operating levels the Group will have sufficient cash to remain solvent through 31 December 2020 and further has the ability to curtail expenditure to remain solvent through the Relevant Period in the event no additional funding is secured during that time. Key factors in this assessment are:
  - The Group has not entered into any long term contractual commitments and its major expenditure (R&D) can be curtailed in line with the cash resources available with 3 months' notice;
  - The Group expects to receive the Australian Tax Office R&D tax incentive of approximately \$2,000,000 (of which \$1,044,303 is recorded in receivables as at 31 December 2019 with the balance attributable to forecast expenditure) around October 2020 and in the event receipt is delayed, the Group expect to be able to borrow against this receivable: and
  - The Group has an offer of a Line of Credit available from related parties of \$1m repayable in January 2021.

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

The Group's ability to continue to operate as a going concern is dependent upon a combination of successful capital raising, negotiating creditor settlement terms and/or successful curtailment of expenses to support cash flow through the Relevant Period, all of which contain an element of uncertainty as at the date of approval of these financial statements. These conditions therefore give rise to a material uncertainty as to whether the Group will be able to continue as a going concern. Should the Group be unable to continue as a going concern it may be required to realise assets at an amount different to that recorded in the statement of financial position, settle liabilities other than in the ordinary course of business and make provisions for other costs which may arise.

## 3. SIGNIFICANT ACCOUNTING POLICIES

Except for the first time adoption of AASB 16 (refer Note 12), 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 2019.

#### 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 2019.

#### 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 2019.

#### 6. REVENUE

	Half year 2020 \$	Half year 2019 \$
Government Grant – Other	88,634	88,364
Government – R&D Tax Incentive	1,042,356	1,183,398
Rental Income	207,469	203,800
Collaboration and Service fees	88,184	709,491
	<u>1,426,643</u>	<u>2,185,053</u>

## 7. LOANS AND BORROWINGS

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>(Half year)</b>	<b>(Full year)</b>
<b>Current</b>	<b>\$</b>	<b>\$</b>
Convertible Note	3,003,900	1,603,900
	3,003,900	1,603,900

### Terms and Repayment Schedule

Type	Currency	Interest rate	Year of Maturity	<b>2020</b>		<b>2019</b>	
				<b>(Half year)</b>		<b>(Full year)</b>	
				Face Value	Carrying Amount	Face Value	Carrying Amount
Convertible Notes	AUD	6%	2021	3,003,900	3,003,000	1,603,900	1,603,900

The convertible notes may be paid prior to maturity date should certain conditions be satisfied, refer to conversion terms below.

### Convertible Notes

Carrying amount of Liability at 30 June 2019	1,603,900
Proceeds from issue of Convertible Notes during the half year	1,400,000
Carrying amount of Liability at 31 December 2019	3,003,900

### Conversion terms:

The convertible note carries a fixed coupon rate of 6%. The convertible note, including any accrued interest, is mandatorily convertible from issue date through to the maturity date of 30 December 2020 in the event of (a) additional finance being raised above \$5,000,000 or (b) a transaction occurring in relation to funding and development of HXP124 with a third party. The conversion price is \$0.50 per share, however reduces over time to \$0.20 per share under scenario (a) depending on the number of months that have elapsed prior to the additional finance being raised from 30 June 2019 (through to the maturity date). Under a third scenario (c), in the event of a sale of all, or substantially all of the shares in the Company prior to maturity, the face value of the notes and any accrued interest will be repaid in cash at 250%. In the event that the maturity date is reached with none of the events (a), (b) or (c) occurring, the instrument (comprising the face value and any accrued interest) will be mandatorily converted at a rate of \$0.20 per share. Should an insolvency event occur prior to 31 December 2020, the instrument becomes immediately payable.

The convertible note has been recorded including the fair value of embedded derivative. The Monte Carlo valuation approach has been used to determine the fair value of the embedded derivative. Key inputs include volatility at 100%, face value of \$3,003,900, risk free rate of 1.5% and probabilities of 60%, 10%, 10% and 20% respectively for the events a) to d) listed above occurring.

### Reconciliation of movements of liabilities to cash flows arising from financing activities

Proceeds from issue of convertible notes of \$1,400,000 have been included as a financing activity in the statement of cash flows.

## 8. CAPITAL AND RESERVES

Ordinary Shares	Number of Shares	Amount \$
On Issue at 1 July 2019	130,238,789	61,006,378
On issue at 31 December 2019 – fully paid	130,238,789	61,006,378

Ordinary Shares	Number of Shares	Amount \$
On Issue at 1 July 2018	129,888,789	60,976,378
On issue at 31 December 2018 – fully paid	129,888,789	60,976,378

	Number of options		Amount	
	2020 (Half Year)	2019 (Full Year)	2020 (Half Year) \$	2019 (Full Year) \$
<b>Equity compensation reserve</b>				
On issue at 1 July	-	-	200,000	200,000
Lapsed during period	-	-	-	-
Issued during period at \$0.50 exercise price	-	-	-	-
On issue at 31 December	-	-	200,000	200,000

	Number of options		Amount	
	2020 (Half Year)	2019 (Full Year)	2020 (Half Year) \$	2019 (Full Year) \$
<b>Equity compensation reserve</b>				
On issue at period beginning	17,407,000	10,507,000	1,253,399	1,138,021
Issued as compensation	571,000	7,375,000	91,083	115,378
Exercise of share options	-	(350,000)	-	-
Lapsed	(1,848,000)	(125,000)	-	-
On issue at period end	16,130,000	17,407,000	1,344,482	1,253,399
<b>Total Reserve at period end</b>	<b>16,130,000</b>	<b>17,407,000</b>	<b>1,544,482</b>	<b>1,453,399</b>

## 8. CAPITAL AND RESERVES (continued)

No options were exercised for the six months ended 31 December 2019. 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.

### 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*

Expiry Date	Exercise Price	Number of Share Options
11 December 2020	\$0.50	2,750,000
12 February 2022	\$0.20	1,250,000
12 February 2022	\$0.08	2,350,000
01 January 2023	\$0.20	1,759,000
31 December 2022	\$0.20	200,000
01 January 2024	\$0.50	1,250,000
22 February 2024	\$0.50	1,000,000
18 June 2029	\$0.50	5,000,000
15 November 2024	\$0.50	571,000
		16,130,000

On 15 November 2019, the Company has granted 571,000 share options that vest immediately to its key management and other personnel. Each option has an exercise price of \$0.50c (refer to Note 10).

## 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.

## 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.

Grant date / parties entitled	Number of instruments	Vesting conditions	Contractual life of options
Options granted 11 December 2015 to key management	1,500,000	Vesting immediately	5 years
Options granted 11 December 2015 to key management	1,250,000	Vesting 11 December 2016	5 years
Options granted 12 February 2017 to key management	1,250,000	Vesting 31 December 2017	5 years
Options granted 12 February 2017 to key management	2,350,000	Vesting on earlier of 25% at completion of each year post grant, or on completion of deal meeting specified criteria	5 years
Options granted 1 January 2018 to key management	1,125,000	Vesting 31 December 2018	5 years
Options granted 1 January 2018 to other personnel	364,000	Vested 1 <sup>st</sup> January 2018	5 years
Options granted 1 January 2018 to other personal	145,000	Vesting upon successful completion of various milestones	5 years
Options granted 1 January 2018 to other personnel	100,000	Vesting upon completion and delivery of deliverables on 30 June 2019	5 years
Options granted 15 February 2018 to other personnel	100,000	Vesting upon completion and delivery of deliverables on 30 June 2019	5 years
Options granted to key management 7 July 2018	125,000	Vesting 31 December 2019	5 years
Options granted 1 January 2019 to key management	1,250,000	Vesting 31 December 2019	5 years
Options granted 22 February 2019 to key management	1,000,000	250,000 vesting on 31st December 2019 with the remainder vesting on completion and delivery of deliverables	5 years
Options granted 18 June 2019 to key management	5,000,000	Partially vesting on 1st April 2020 with remaining in monthly increments	10 years
Options granted 15 November 2019 to other personnel	571,000	Vesting immediately	5 years
<b>Total share options</b>	<b>16,130,000</b>		



## 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:

2019	Held at 1 July 2019	Granted as compen- sation	Exercised	Expired	Held at 31 December 2019	Vested during the period	Vested and exercisable at 31 December 2019
<b>Directors</b>							
Jonathan West	2,500,000				2,500,000	500,000	2,500,000
Nicole van der Weerden	2,000,000			(500,000)	1,500,000	-	1,000,000
Marilyn Anderson AO	750,000			(500,000)	250,000	-	-
John Bedbrook	2,450,000			(200,000)	2,250,000	250,000	1,250,000
Gordon Black	625,000				625,000	-	625,000
G F Dan O'Brien	1,000,000				1,000,000	250,000	1,000,000
Justin Yap	375,000				375,000	250,000	375,000
Scott Robertson	1,100,000				1,100,000	250,000	350,000
Michael Aldridge	5,000,000				5,000,000	-	-
<b>Key Management</b>							
Elisha Larkin	140,000	50,000		(40,000)	150,000	75,000	75,000
Helen Molloy	31,000	60,000		(16,000)	75,000	60,000	75,000
	15,971,000	110,000		(1,256,000)	14,825,000	1,635,000	7,250,000

Ms Elisha Larkin resigned as Company secretary effective 19 November 2019. Ms Helen Molloy was appointed company secretary on this same date.

**11. RELATED PARTIES (continued)**  
**Share Options (continued)**

<b>2018</b>	Held at 1 July 2018	Granted as compen- sation	Exercised	Expired	Held at 31 December 2018	Vested during the period	Vested and exercisable at 31 December 2018
<b>Directors</b>							
Jonathan West	2,000,000				2,000,000	500,000	2,000,000
Nicole van der Weerden	2,000,000				2,000,000	250,000	1,250,000
Marilyn Anderson AO	1,000,000				1,000,000	125,000	625,000
John Bedbrook	2,200,000				2,200,000	250,000	1,200,000
Gordon Black	750,000			(125,000)	625,000	125,000	625,000
G F Dan O'Brien	750,000				750,000	250,000	750,000
Justin Yap	-	125,000			125,000	125,000	125,000
Scott Robertson	100,000				100,000	-	-
<b>Key Management</b>							
Elisha Larkin	140,000				140,000	25,000	65,000
	8,940,000	125,000		(125,000)	8,940,000	1,650,000	6,640,000

**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>2019</b>	Held at 1 July 2019	Purchases	Received on exercise of options	Sales	Held at 31 December 2019
<b>Directors</b>					
Jonathan West	3,200,000	-	-	-	3,200,000
Marilyn Anderson AO	4,061,096	-	-	-	4,061,096
Nicole van der Weerden	214,400	-	-	-	214,400
John Bedbrook	500,000	-	-	-	500,000
G F Dan O'Brien	15,035,894	-	-	-	15,035,894
Justin Yap <sup>(1)</sup>	-	-	-	-	-
Scott Robertson <sup>(2)</sup>	-	-	-	-	-
Michael Aldridge <sup>(3)</sup>	-	-	-	-	-
	23,011,390	-	-	-	23,011,390

<b>2018</b>	Held at 1 July 2018	Purchases	Received on exercise of options	Sales	Held at 31 December 2018
<b>Directors</b>					
Jonathan West	3,200,000	-	-	-	3,200,000
Marilyn Anderson AO	3,811,096	-	-	-	3,811,096
Nicole van der Weerden	214,400	-	-	-	214,400
John Bedbrook	500,000	-	-	-	500,000
G F Dan O'Brien	15,035,894	-	-	-	15,035,894
Justin Yap <sup>(1)</sup>	-	-	-	-	-
Scott Robertson <sup>(2)</sup>	-	-	-	-	-
	22,761,390	-	-	-	22,761,390

## 11. RELATED PARTIES (continued)

- (1) Justin Yap was appointed as a Director 17 July 2018
- (2) Scott Robertson was appointed as a Director 21 November 2018
- (3) Michael Aldridge was appointed as a Director 21 May 2019

### Other related parties

#### *Other key management personnel disclosures with the Company*

- a) Professor Anderson and Dr van der Weerden are employees of La Trobe University. During the course of the six months ended 31 December 2019, amounts (including GST) totalling \$1,405,576 (Dec 2018: \$1,650,282) 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 2019 (excluding GST) were \$1,379,077 (Dec 2018: \$683,963).

## 12. OPERATING LEASES

The consolidated entity leases land which houses the glasshouse under an operating lease. The glasshouse which has a written down book value of \$1,174,222 at 31 December 2019 has been built on leased land. The lease rental on the land is at \$10 per annum and this lease expires on 10 December 2028.

The Group has initially applied AASB 16 Leases from July 2019.

Due to transition methods chosen by the Group in applying this standard, comparative information throughout these financial statements has not been restated to reflect the requirements of the standard.

There was no material impact on retained earnings at 1 July 2019, the statement of financial position or the Company's statement of cash flows as a result of adopting AASB 16.

**DIRECTORS' DECLARATION**

- 1) In the opinion of the Directors of Hexima Limited ("the Company"):
- a) the interim consolidated financial statements and notes, set out on pages 6 to 20, 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 2019 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 2nd<sup>th</sup> day of March 2020.

Signed in accordance with a resolution of the Directors:



Professor Marilyn Anderson  
Chief Science Officer and Director



Dr Nicole van der Weerden  
Chief Executive Officer and Director



# Independent Auditor's Review Report

To the shareholders of Hexima Limited

## Report on the Interim Financial Report

### Conclusion

We have reviewed the accompanying **Interim Financial Report** of Hexima Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Hexima Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2019 and of its performance for the **Interim Period** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2019.
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Interim Period ended on that date.
- Notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information.
- The Directors' Declaration.

The **Group** comprises Hexima Limited (the Company) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The **Interim Period** is for the 6 months ended on 31 December 2019.

### Material uncertainty related to going concern – emphasis of matter

We draw attention to Note 2(b), "Going Concern" in the Interim Financial Report. The conditions disclosed in Note 2(b), indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Interim Financial Report. Our conclusion is not modified in respect of this matter.



### Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*.
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.

### Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the interim period ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Hexima Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an Interim Period Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

Adrian Nathanielsz  
Partner

Melbourne  
2 March 2020



# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Hexima Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Hexima Limited for the half-year ended 31 December 2019 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Adrian Nathanielsz  
Partner

Melbourne  
2 March 2020