



25 February 2021

Interim Consolidated Financial Report for the six months ended 31 December 2020

In accordance with Listing Rule 4.2A, we enclose the Interim Consolidated Financial Report for the six months ended 31 December 2020.

Information in relation to the operational performance, financial performance, cash flows and financial position is included in the attached Appendix 4D and the Interim Consolidated Financial Report.

This Interim Consolidated Financial Report should be read in conjunction with the Company's Annual Report for the year ended 30 June 2020.

Helen Molloy
Company Secretary

APPENDIX 4D

Hexima Limited

ABN: 64 079 319 314

Results for announcement to the market for the half-year ended 31 December 2020.
ASX listing rule 4.2A.3.

Reporting period

Reporting period: 31 December 2020

Previous corresponding period: 31 December 2019

The 31 December 2020 Interim Consolidated Financial Report should be read in conjunction with the 2020 Annual Report.

Results for announcement to the market

| | | 31 Dec 2020 | 31 Dec 2019 | |
|--|-----------|-------------|-------------|----------|
| | | \$ '000 | \$ '000 | % Change |
| Revenue from ordinary activities | Increased | 1,629 | 1,427 | 14 |
| Loss from ordinary activities before tax | Increased | 2,732 | 1,789 | 53 |
| Loss from ordinary activities after tax | Increased | 2,732 | 1,789 | 53 |

An explanation of the figures within this table are contained in the Directors Report of the attached 31 December 2020 Interim Consolidated Financial Report.

Shareholder Distributions

No dividends have been paid or declared by the entity since the beginning of the current reporting period.

Net Tangible Assets per security

| | 31 Dec 2020 | 31 Dec 2019 |
|---|-------------|-------------|
| | Cents | Cents |
| Net tangible asset per security (including right-of-use assets) | 4.87 | 0.08 |

Commentary on the results of the period

Refer to the 31 December 2020 Interim Consolidated Financial Report attached.

Status of Audit

The independent auditor's report is contained within the attached 31 December 2020 Interim Consolidated Financial Report. It is unmodified with an emphasis of matter regarding material uncertainty over going concern.



Hexima Limited

ABN 64 079 319 314

INTERIM CONSOLIDATED FINANCIAL REPORT

For the six months ended 31 December 2020



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Corporate directory

Directors

| | |
|---------------------------|--|
| Mr Michael Aldridge | Chief Executive Officer and Managing Director |
| Prof Jonathan West | Non-Executive Chairman |
| Dr Nicole van der Weerden | Chief Operating Officer and Executive Director |
| Prof Marilyn Anderson | Chief Science Officer and Executive Director |
| Mr Justin Yap | Non-Executive Director |
| Mr Scott Robertson | Non-Executive Director |
| Mr Steven Skala AO | Alternate Non-Executive Director |

Company Secretary

Ms Helen Molloy

Registered Office

Hexima Limited
La Trobe Institute for Molecular Science
Level 4, LIMS2, La Trobe University
Melbourne Victoria 3086, Australia

Share Registry

Link Market Services
Tower 4, Collins Square
727 Collins Street
Melbourne Victoria 3008, Australia

Auditor

KPMG
Tower Two, Collins Square
727 Collins Street
Melbourne Victoria 3008, Australia

Stock Exchange

Australian Securities Exchange Ltd

ASX code

HXL



Directors' Report

DIRECTORS

The Directors of Hexima Limited (the "Company") at any time during or since the end of the 6-month period ended 31 December 2020 (the "Interim Period") are:

Executive

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

Non-Executive

| | | |
|--------------------|----------------------------------|--|
| Prof Jonathan West | Non-Executive Chairman | Director since 7 November 2005; Appointed Non-Executive Chairman 18 November 2014 |
| Mr Justin Yap | Non-Executive Director | Director since 17 July 2018 |
| Mr Scott Robertson | Non-Executive Director | Director since 21 November 2018 |
| Dr John Bedbrook | Non-Executive Director | Director since 3 June 2014 Retired 22 September 2020 |
| Mr G F Dan O'Brien | Non-Executive Director | Director since 18 November 2015 Retired 22 September 2020 |
| Mr Steven Skala AO | Non-Executive Alternate Director | Alternate Director for Mr Scott Robertson since 10 March 2020 |

RESULTS AND REVIEW OF OPERATIONS

Financial results

As at 31 December 2020, the Group had \$9,557,287 in cash and receivables (30 June 2020: \$3,649,727). Hexima holds adequate capital to fund its ongoing phase IIb clinical trial.

Net cash inflow for the six months was \$6,339,425 compared with net cash inflow of \$462,237 in the prior corresponding period. The variance is largely due to the receipt of funds via the Placement and the Public Offer.

Hexima recorded a loss of \$2,732,153 for the six months ended 31 December 2020, compared to a loss of \$1,789,986 for the previous corresponding period. This variance is largely a result of increased research and development expenditure related to the ongoing phase IIb clinical trial. Non-cash share option expense has also contributed to the variance from prior year. A direct effect of the increased research and development expenditure is the increased research and development tax Incentive receivable. This served to partially offset the increased expenditure.

In September, Hexima closed a placement of 28,500,000 shares at \$0.20 (post-consolidation) to raise \$5.7 million (the "Placement"). This was followed in November by a public offer (the "Public Offer") of 15,000,000 shares (also at \$0.20) to raise \$3,000,000 (before costs of the Public Offer) with an associated listing on the ASX.



Share consolidation

In October, Hexima completed a one for two consolidation of its share capital. The consolidation was approved by shareholders at an Extraordinary General Meeting of the Company held on 5 October 2020.

Review of operations

The principal activity of the Group (comprising the Company and its subsidiaries) during the Interim Period was the research and development of plant-derived proteins and peptides for applications as human therapeutics. Its lead product candidate, HXP124 applied in a topical formulation, is a potential new prescription treatment for toenail fungal infections (or onychomycosis).

Hexima believes HXP124 addresses the important short comings of available treatments for onychomycosis. It is a broad spectrum and powerful antifungal agent which penetrates nails very rapidly when applied topically. It is safe and well tolerated and in a phase I/IIa clinical trial demonstrated:

- **Short course of therapy** HXP124 appears active following just 6-weeks of daily therapy
- **More effective** clearing fungus from the nail two-times more effectively than current best-in-class (oral and topical) products at the same time point: 52% mycological cure
- **Fast acting** started to improve the appearance of the infected nail within 12 weeks: 19.5% clinical efficacy (<10% infected nail area)
- **Safe and well tolerated** with no treatment area irritation or treatment-related adverse events
- **Locally acting** HXP124 effectively penetrates nails but is not detected in the blood stream and has not presented any systemic toxicity

Phase 2b clinical trial

During the Interim Period, Hexima commenced a phase IIb clinical trial in Australia and New Zealand enrolling up to 132 patients with onychomycosis. Ten clinical sites in Australia and New Zealand are now active and recruiting patients. This study is seeking to identify the optimal course of therapy for HXP124 and is comparing three treatment arms: 12 weeks versus 31 weeks of daily therapy as well as 12 weeks of daily therapy followed by weekly maintenance therapy out to 36 weeks. The patients receiving treatment with HXP124 are being compared to patients treated with a formulation not containing HXP124 at a ratio of 3:1.

The results of this clinical trial will be a key platform as we plan to initiate our phase III clinical trial program in the US.

Manufacture scale-up

Hexima has commenced manufacturing HXP124 with a world-class contract manufacturing organisation (CMO) in Europe. During the Interim Period, technology-transfer activities were completed and HXP124 was successfully manufactured to Hexima's specifications at small scale. During the first half of calendar 2021, scale-up activities are planned to be conducted to produce HXP124 at larger-scale and to produce HXP124 for animal toxicology studies.

Impact of COVID-19

Like many businesses in Australia, ours has seen an impact from COVID-19. In particular, the pace of enrolment of patients into our phase IIb trial has been modestly impacted by State travel restrictions, business closures and mandated lock downs due to the Coronavirus pandemic. These events have not affected in any way the integrity of the trial but are likely to result in data from the clinical trial being available in the second quarter of calendar 2022.

Hexima has recently added additional clinical investigator sites and adopted other measures to accelerate patient recruitment and enrolment.



Management changes

In September 2020, Michael Aldridge accepted the role as Hexima's new CEO. Michael is based in the San Francisco Bay Area and has a 20-plus year career in the leadership of emerging growth pharmaceutical product development companies. Previously Michael led Peplin, which developed Picato, a topical treatment for actinic keratosis or sunspots. Peplin was acquired by LEO Pharma in 2009.

Nicole van der Weerden, our previous CEO, has assumed the role of COO and remains firmly at the helm of the challenging and critical technical operations at Hexima.

Peter Welburn has joined our team as Chief Development Officer. Peter has a long career in drug development and steered the development program at Peplin from its earliest pre-clinical stage through global phase III trials and onto the market.

Subsequent events

There has not arisen in the interval between the end of the half year period 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.

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

Mr Michael Aldridge
Chief Executive Officer and Managing Director

Dr Nicole van der Weerden
Chief Operating Officer and Executive Director

Dated this 25th day of February 2021



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 2020 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.

A handwritten signature in blue ink that reads 'KPMG'.

KPMG

A handwritten signature in blue ink, appearing to read 'Adrian Nathanielsz'.

Adrian Nathanielsz
Partner

Melbourne
25 February 2021



INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

Consolidated

| | Notes | 31 Dec 2020 \$ | 31 Dec 2019 \$ |
|---|-------|----------------------|----------------------|
| Revenue | 7 | 1,628,501 | 1,426,643 |
| Expenses | | | |
| Research & development | | (2,896,746) | (2,144,982) |
| Patent | | (78,884) | (109,464) |
| Marketing and business development | | (39,770) | (65,855) |
| Employee benefits | | (800,037) | (605,952) |
| Depreciation | | (74,034) | (83,165) |
| Other | | (387,646) | (131,091) |
| | | (4,277,117) | (3,140,509) |
| Results from operating activities | | (2,648,616) | (1,713,866) |
| Finance income | | 130,323 | 10,015 |
| Finance expense | | (213,860) | (86,135) |
| Net financing income/(expense) | | (83,537) | (76,120) |
| Loss before income tax | | (2,732,153) | (1,789,986) |
| Income tax expense | | - | - |
| Loss for the period | | (2,732,153) | (1,789,986) |
| Other comprehensive income for the period, net of income tax | | - | - |
| Total comprehensive loss for the period | | (2,732,153) | (1,789,986) |
| Loss attributable to: | | | |
| Owners of the Company | | (2,732,153) | (1,789,986) |
| Loss for the period | | (2,732,153) | (1,789,986) |
| Total comprehensive loss attributable to: | | | |
| Owners of the Company | | (2,732,153) | (1,789,986) |
| Total comprehensive loss for the period | | (2,732,153) | (1,789,986) |
| Earnings per share: | | | |
| Basic and diluted loss per share (cents) | | (2.94) | (1.37) |

The accompanying notes form part of these interim financial statements



INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

| | | Consolidated | |
|--|-------|----------------------|----------------------|
| | Notes | 31 Dec 2020 \$ | 30 Jun 2020 \$ |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 7,577,161 | 1,357,647 |
| Receivables | | 1,980,126 | 2,292,080 |
| TOTAL CURRENT ASSETS | | 9,557,287 | 3,649,727 |
| NON-CURRENT ASSETS | | | |
| Plant and equipment | | 1,203,975 | 1,275,586 |
| TOTAL NON-CURRENT ASSETS | | 1,203,975 | 1,275,586 |
| TOTAL ASSETS | | 10,761,262 | 4,925,313 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 9 | 1,913,620 | 3,353,137 |
| Loans and borrowings | 8 | 63,991 | 3,022,372 |
| Employee benefits | | 228,173 | 170,079 |
| TOTAL CURRENT LIABILITIES | | 2,205,784 | 6,545,588 |
| NON-CURRENT LIABILITIES | | | |
| Trade and other payables | 9 | 1,585,362 | - |
| TOTAL NON-CURRENT LIABILITIES | | 1,585,362 | - |
| TOTAL LIABILITIES | | 3,791,146 | 6,545,588 |
| NET ASSETS / (DEFICIENCY IN NET ASSETS) | | 6,970,116 | (1,620,275) |
| EQUITY | | | |
| Issued capital | 10 | 71,905,180 | 61,006,378 |
| Reserves | | 2,064,267 | 1,640,525 |
| Accumulated losses | | (66,999,331) | (64,267,178) |
| TOTAL EQUITY / (DEFICIENCY IN EQUITY) | | 6,970,116 | (1,620,275) |

The accompanying notes form part of these interim financial statements



INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| <i>For the six months ended 31 December 2020</i> | Note | Ordinary Shares | Equity option reserve | Equity compen- sation reserve | Accumulated Losses | Total equity |
|---|------|-------------------|--------------------------|----------------------------------|---------------------|--------------------|
| | | \$ | \$ | \$ | \$ | \$ |
| Opening balance at 1 July 2020 | | 61,006,378 | 200,000 | 1,440,525 | (64,267,178) | (1,620,275) |
| Net (loss) for the period | | - | - | - | (2,732,153) | (2,732,153) |
| Total comprehensive (loss) for the period | | - | - | - | (2,732,153) | (2,732,153) |
| Transactions with owners recorded directly in equity | | | | | | |
| Issue of ordinary shares | | 8,700,000 | - | - | - | 8,700,000 |
| Issue of convertible notes | | 3,246,791 | - | - | - | 3,246,791 |
| Capital raising costs | | (1,047,989) | - | - | - | (1,047,989) |
| Equity settled share-based payment transactions | 10 | - | 250,216 | 173,526 | - | 423,742 |
| Total transaction with owners | | 10,898,802 | 250,216 | 173,526 | - | 11,322,544 |
| Balance at 31 December 2020 | | 71,905,180 | 450,216 | 1,614,051 | (66,999,331) | 6,970,116 |

| <i>For the six months ended 31 December 2019</i> | Note | Ordinary Shares | Equity option reserve | Equity compen- sation 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) |
| Total comprehensive (loss) for the period | | - | - | - | (1,789,986) | (1,789,986) |
| Transactions with owners recorded directly in equity | | | | | | |
| Capital raising costs | | - | - | - | - | - |
| Equity settled share based payment transactions | | - | - | 91,083 | - | 91,083 |
| Total transaction with owners | | - | - | 91,083 | - | 91,083 |
| Balance at 31 December 2019 | | 61,006,378 | 200,000 | 1,344,482 | (62,431,402) | 119,458 |

The accompanying notes form part of these interim financial statements



INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

| | Consolidated | |
|---|----------------------|----------------------|
| | 31 Dec 2020 \$ | 31 Dec 2019 \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash receipts from government grants and tax incentive | 2,163,698 | 2,110,285 |
| Cash receipts from lease agreement | 323,292 | 228,498 |
| Cash paid to suppliers and employees | (3,789,682) | (3,277,782) |
| Net cash used in operating activities | (1,302,692) | (938,999) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received | 952 | 1,236 |
| Net cash from investing activities | 952 | 1,236 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Cash from Convertible note issue | - | 1,400,000 |
| Proceeds from the issue of ordinary shares | 8,700,000 | - |
| Cash paid to raise capital | (1,058,835) | - |
| Net cash from financing activities | 7,641,165 | 1,400,000 |
| Net increase in cash and cash equivalents | 6,339,425 | 462,237 |
| Effect on movements in exchange rates on foreign currency denominated cash at bank | (119,911) | 8,495 |
| Cash and cash equivalents at 1 July | 1,357,647 | 1,950,569 |
| Cash and cash equivalents at 31 December | 7,577,161 | 2,421,301 |

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 and development 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 2020 is for 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 2020 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.

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 2020.

The consolidated interim financial report was approved by the Board of Directors on 25th February 2021.

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

The half-year 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 Group incurred a loss after tax of \$2,713,217 for the 6 months ended 31 December 2020 (financial year ended 30 June 2020: loss after tax of \$3,625,762) and has a current asset surplus of \$7,351,503 as at 31 December 2020 (30 June 2020: deficiency in net current assets of \$2,895,861).

A cash flow forecast has been prepared by management based on the Group’s approved budget which contemplates the completion of the phase IIb clinical trial. This cash flow forecast demonstrates that the Group has sufficient resources to meet its obligations as at 31 December 2021 and that it will continue to meet its obligations for a period of at least 12 months following the approval of these financial statements on the basis that the majority of research expenditure will continue to be eligible for the Australian Government’s refundable research and development tax offset. However, in the immediate period thereafter, the Group will require additional funding to continue the planned research and development of HXP124 and its other activities.

Notwithstanding this and the history of operating losses, the Directors consider that it is appropriate to prepare the financial statements on a going concern basis given expenditure can be curtailed should the trial of HXP124 not be successful and in the event that additional funding not be secured.

The Group’s ability to continue to operate as a going concern is dependent upon the success of the phase IIb clinical trial and the ability to raise additional funding prior to or after the trial’s completion, both of which are inherently uncertain, regardless of the trial’s success. These conditions 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 provision for other costs which may arise.



3. SIGNIFICANT ACCOUNTING POLICIES

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 2020.

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 2020.

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 2020.

6. SEGMENT REPORTING

The Group primarily operates in one sector being the biotechnology industry developing and/or commercialising biotechnology research and therefore the Group's financial information is the same as the operating segment information. The majority of operations are in Australia.

7. REVENUE

| | Consolidated | |
|--------------------------------|--------------|-------------|
| | 31 Dec 2020 | 31 Dec 2019 |
| | \$ | \$ |
| Government Grant – Other | 81,500 | 88,634 |
| Government – R&D Tax Incentive | 1,351,065 | 1,042,356 |
| Rental Income | 195,936 | 207,469 |
| Collaboration and Service fees | - | 88,184 |
| | 1,628,501 | 1,426,643 |



8. LOANS AND BORROWINGS

| | Consolidated | |
|--------------------|--------------|-------------|
| | 31 Dec 2020 | 30 Jun 2020 |
| Current | \$ | \$ |
| Convertible Note | - | 2,958,381 |
| US Government Loan | 63,991 | 63,991 |
| | 63,991 | 3,022,372 |

Terms and Repayment Schedule

| Type | Currency | Interest rate | Year of Maturity | 31 Dec 2020 | | 30 Jun 2020 | |
|-------------------|----------|---------------|------------------|-------------|-----------------|-------------|-----------------|
| | | | | Face Value | Carrying Amount | Face Value | Carrying Amount |
| Current | | | | | | | |
| Convertible Notes | AUD | 6% | 2021 | - | - | 3,003,900 | 2,958,381 |

Convertible Notes

| | |
|--|-------------|
| Carrying amount of Liability at 30 June 2020 | 2,958,381 |
| Capitalisation of accrued interest | 288,410 |
| Conversion of Convertible Notes to 44,476,589 ordinary shares during the half year | (3,246,791) |
| Carrying amount of Liability at 31 December 2020 | - |

Conversion terms:

The convertible note, including accrued interest, mandatorily converted in September 2020 as a result of a qualified financing occurring. The qualified financing in this case was the company raising proceeds of not less than \$5,000,000. The conversion took place at a discount of 27% to the 10 cent share price (pre-consolidation) at the time.



10. CAPITAL AND RESERVES

| Ordinary Shares | Number of Shares | Amount \$ |
|--|--------------------|-------------------|
| On Issue at 1 July 2020 | 130,238,789 | 61,006,378 |
| Issued via Placement | 57,000,000 | 5,700,000 |
| Issued via Public Offer | 30,000,000 | 3,000,000 |
| Issued via convertible note conversion | 44,476,589 | 3,246,791 |
| Capital raising costs | - | (1,047,989) |
| Total ordinary shares pre share consolidation | 261,715,378 | 71,905,180 |
| On issue post 1:2 consolidation at 31 December 2020 – fully paid | 130,857,724 | 71,905,180 |

1. Shares in the Company were consolidated on a one for two basis in October 2020.
2. The final share total is not exactly half of the pre consolidation total due to rounding of uneven share holdings.
3. 15,000,000 shares were issued in the Public Offer on a post-consolidation basis.

Equity Option Reserve

The equity option reserve comprises the accumulated amount of share options issued to other parties not under compensation schemes.

| | Number of options | | Amount | |
|--|-------------------|----------------|----------------------|----------------------|
| | 31 Dec 2020 | 30 Jun 2020 | 31 Dec 2020 \$ | 30 Jun 2020 \$ |
| On issue at 1 July | - | - | 200,000 | 200,000 |
| Issued to lead manager of Public Offer | 3,000,000 | - | 250,216 | - |
| On issue at 31 December | 3,000,000 | - | 450,216 | 200,000 |



10. 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.

| | Number of options | | Amount | |
|-------------------------------------|-------------------|-------------------------------|-------------------|-------------------|
| | 31 Dec 2020 | 30 Jun 2020 | 31 Dec 2020 \$ | 30 Jun 2020 \$ |
| On issue at period beginning | 17,605,000 | 17,407,000 | 1,440,525 | 1,253,399 |
| Options on issue Post Consolidation | 8,802,500 | N/A | 1,440,525 | N/A |
| Issued as compensation | 7,117,500 | 2,071,000 ¹ | 173,526 | 187,126 |
| Exercise of share options | - | - | - | - |
| Cancelled options | (5,452,500) | - | - | - |
| Lapsed options | (1,094,000) | (1,873,000) ¹ | - | - |
| On issue at period end | 9,373,500 | 17,605,000 ¹ | 1,614,051 | 1,440,525 |
| Total Reserve at period end | 12,373,500 | 17,605,000¹ | 2,064,267 | 1,640,525 |

1. Full year 2020 values have not been adjusted for consolidation

Shares in the Company were consolidated on a one for two basis in October 2020, options were consolidated on an equivalent basis.

Options issued during the period

In October 2020, each of the Chairman and each current Non-Executive Director (including Mr Steven Skala AO as alternate Director) as well as members of the management team requested that the Company cancel options previously granted to them. Replacement options were granted 14 October 2020. The Company accounted for these replacements as modifications to equity-settled share-based payment. The incremental fair value of the difference between the fair value of the modified share-based payment and that of the original share-based payment, both measured at the date of modification, is recognised as an expense over the remaining vesting period.

The lead manager of the public offer was issued 3,000,000 options in December 2020 upon listing of the company.

No options were exercised for the six months ended 31 December 2020. 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.



10. CAPITAL AND RESERVES (continued)

Terms and conditions of share options

| Expiry Date | Exercise Price | Number of Share Options |
|------------------|----------------|-------------------------|
| 12 February 2022 | \$0.40 | 375,000 |
| 12 February 2022 | \$0.16 | 662,500 |
| 31 December 2022 | \$0.40 | 50,000 |
| 01 January 2023 | \$0.40 | 513,000 |
| 01 January 2024 | \$1.00 | 250,000 |
| 15 November 2024 | \$1.00 | 155,500 |
| 15 December 2023 | \$0.30 | 1,000,000 |
| 15 December 2023 | \$0.40 | 1,000,000 |
| 15 December 2023 | \$0.60 | 1,000,000 |
| 28 January 2025 | \$1.00 | 250,000 |
| 14 October 2030 | \$0.20 | 7,117,500 |
| | | 12,373,500 |

11. EARNINGS PER SHARE

The Group's basic and diluted EPS are shown below:

| | 31 Dec 2020 | 31 Dec 2019 |
|--|---------------|---------------|
| Net loss | (\$2,732,153) | (\$1,789,986) |
| Weighted average number of ordinary shares | 92,988,549 | 65,119,395 |
| Basic EPS (cents per share) | (2.94) | (2.75) |
| Diluted EPS (cents per share) | (2.94) | (2.75) |

Dilutive earnings per share is the same as Basic earnings per share as potential ordinary shares shall be treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations. The comparative weighted average number of ordinary shares has been restated for the 1:2 share consolidation which occurred during the half year ended 31 December 2020.

12. 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.



13. SHARE BASED PAYMENTS

At 31 December 2020, the Group had the following share-based payment arrangements. All options are to be settled by physical delivery of shares. The terms and conditions of the share options granted as at 31 December 2020 are as follows;

| Grant date / parties entitled | Number of instruments | Vesting conditions | Contractual life of options |
|---|-----------------------|--|-----------------------------|
| Options granted 12 February 2017 to key management | 375,000 | Vesting upon continuous service until 31 December 2017 | 5 years |
| Options granted 12 February 2017 to key management | 662,500 | 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 | 312,500 | Vesting upon continuous service until 31 December 2018 | 5 years |
| Options granted 1 January 2018 to other personnel | 148,000 | Vesting immediately | 5 years |
| Options granted 1 January 2018 to other personal | 52,500 | Vesting upon successful completion of various milestones | 5 years |
| Options granted 1 January 2018 to other personnel | 50,000 | Vesting upon completion and delivery of deliverables on 30 June 2019 | 5 years |
| Options granted 1 January 2019 to key management | 250,000 | Vesting upon continuous service until 31 December 2019 | 5 years |
| Options granted 15 November 2019 to other personnel | 155,500 | Vesting immediately | 5 years |
| Options granted 28 January 2020 to key management | 250,000 | Vesting upon retirement 22 September 2020 | 5 years |
| Options granted 14 October 2020 to key management | 5,775,000 | Tranche 1 25% vesting 14 October 2021, and monthly thereafter until 14 October 2024 | 10 years |
| Options granted 14 October 2020 to other personnel | 1,342,500 | Tranche 1 25% vesting 14 October 2021, and monthly thereafter until 14 October 2024 | 10 years |
| Options granted 15 December 2020 to other party | 3,000,000 | Vesting immediately | 3 years |
| Total share options | 12,373,500 | | |

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Black Scholes Model. This model is generally used to calculate a theoretical price of an option on a stock that does not pay dividends using the five key variables of an option's price being the current spot price, future exercise price, volatility, time to expiration, and the risk-free interest rate.



13. SHARE BASED PAYMENTS *Continued*

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plans issued to directors (key management personnel) in the six months ended 31 December 2020 were;

Current spot price: \$0.20, Future exercise price: \$0.20, Volatility: 100%, Time to expiration: 10 years, Risk free rate: 0.84%

14. 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:

| 2020 | Held at 1 July 2020 | Options post share consolidati on | Cancelled | Granted as compensat ion | Expired/ Lapsed | Held at 31 December 2020 | Vested during the period | Vested and exercisable at 31 December 2020 |
|------------------------|------------------------|--|-------------|--------------------------------|--------------------|-----------------------------------|--------------------------------|---|
| Directors | | | | | | | | |
| Jonathan West | 3,000,000 | 1,500,000 | (1,500,000) | 1,000,000 | - | 1,000,000 | - | - |
| Nicole van der Weerden | 1,500,000 | 750,000 | (250,000) | 1,150,000 | - | 1,650,000 | - | 375,000 |
| Marilyn Anderson AO | 250,000 | 125,000 | - | 125,000 | - | 250,000 | - | 62,500 |
| John Bedbrook (3) | 2,500,000 | 1,250,000 | - | - | (750,000) | 500,000 | 125,000 | 500,000 |
| G F Dan O'Brien (3) | 1,250,000 | 625,000 | - | - | (125,000) | 500,000 | 125,000 | 500,000 |
| Justin Yap | 625,000 | 312,500 | (312,500) | 312,500 | - | 312,500 | - | - |
| Scott Robertson | 1,350,000 | 675,000 | (675,000) | 312,500 | - | 312,500 | - | - |
| Michael Aldridge | 5,000,000 | 2,500,000 | (2,500,000) | 2,750,000 | - | 2,750,000 | - | - |
| Steven Skala AO (1) | 250,000 | 125,000 | (125,000) | 125,000 | - | 125,000 | - | - |
| Key Management | | | | | | | | |
| Peter Welburn (2) | - | - | - | 650,000 | - | 650,000 | - | - |
| Helen Molloy | 75,000 | 37,500 | (30,000) | 217,500 | - | 225,000 | - | 7,500 |
| | 15,800,000 | 7,900,000 | (5,392,500) | 6,642,500 | (875,000) | 8,275,000 | 250,000 | 1,445,000 |

1. Steven Skala is an alternate director for Scott Robertson, appointed 10 March 2020
2. Peter Welburn was appointed Chief Development Officer 1 October 2020
3. John Bedbrook and G F Dan O'Brien retired as directors on 22 September 2020



14. RELATED PARTIES (continued)

Share Options (continued)

| 2019 | Held at 1 July 2019 | Granted as compensation | Exercised | Expired | Held at 31 December 2019 | Vested during the period | Vested and exercisable at 31 December 2019 |
|---------------------------|------------------------|----------------------------|-----------|-------------|--------------------------------|--------------------------------|---|
| Directors | | | | | | | |
| 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 (1) | 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 | - | - |
| Key Management | | | | | | | |
| Elisha Larkin (2) | 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 |

1. Gordon Black departed the Company on 17 July 2018
2. Elisha Larkin departed the Company on 21 November 2019



14. 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

| 2020 | Held at 1 July 2020 | Purchases CN conversion and. placement | Transfer | Shares held post Consolidation | Held at 31 December 2020 |
|------------------------|------------------------|--|-------------|--------------------------------------|--------------------------------|
| Directors | | | | | |
| Jonathan West | 4,000,000 | 2,000,000 | - | 3,000,000 | 3,000,000 |
| Marilyn Anderson AO | 4,061,096 | 500,000 | - | 2,280,548 | 2,280,548 |
| Nicole van der Weerden | 214,400 | 75,000 | - | 144,700 | 144,700 |
| John Bedbrook (3) | 500,000 | - | - | 250,000 | 250,000 |
| G F Dan O'Brien (3) | 15,035,894 | 15,282,811 | (1,000,000) | 14,659,353 | 14,659,353 |
| Justin Yap (1) | - | - | - | - | - |
| Scott Robertson | - | - | - | - | - |
| Michael Aldridge | - | - | - | - | - |
| Steven Skala AO (2) | 6,667,947 | 4,292,109 | - | 5,480,029 | 5,480,029 |
| Key Management | | | | | |
| Peter Welburn (4) | - | - | - | - | - |
| Helen Molloy | 32,000 | 125,000 | - | 78,500 | 78,500 |
| | 30,511,337 | 22,274,920 | (1,000,000) | 25,893,130 | 25,893,130 |

| 2019 | Held at 1 July 2019 | Purchases | Received on exercise of options | Sales | Held at 31 December 2019 |
|------------------------|------------------------|-----------|---------------------------------------|-------|-----------------------------------|
| Directors | | | | | |
| 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 (1) | - | - | - | - | - |
| Scott Robertson | - | - | - | - | - |
| Michael Aldridge (3) | - | - | - | - | - |
| | 23,011,390 | - | - | - | 23,011,390 |



14. RELATED PARTIES (*continued*)

- (1) A related party of Justin Yap holds 14,715,790 shares.
- (2) Steven Skala is the Alternate Director for Scott Robertson, appointed 10 March 2020.
- (3) G F Dan O'Brien and John Bedbrook retired from the Board on 22 September 2020.
- (4) Peter Welburn was appointed Chief Development Officer 1 October 2020.

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 2020 the total expense incurred by Hexima to La Trobe University was \$950,485 (six months to December 31 2019: \$1,406,502). Amounts (including GST) totalling \$115,500 (Dec 2019: \$1,405,576) 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 2020 (excluding GST) were \$2,748,338 (Dec 2019: \$1,379,077).



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 8 to 23, 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 2020 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 25th day of February, 2021.

Signed in accordance with a resolution of the Directors:

Mr Michael Aldridge
Chief Executive Officer and Managing Director

Dr Nicole van der Weerden
Chief Operating Officer and Executive Director



Independent Auditor's Review Report

To the shareholders of Hexima Limited

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 2020 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 2020.
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date.
- Notes 1 to 14 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 Half-year's end or from time to time during the Half-year.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Interim Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 2(b), "Material uncertainty regarding the going concern basis of accounting" 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. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the Half-year period ended on that date, and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

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

25 February 2021