



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

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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.

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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

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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

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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.

KPMG

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	
		31 Dec 2020	31 Dec 2019
		\$	\$
	Notes		
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)
		<u>(4,277,117)</u>	<u>(3,140,509)</u>
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

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**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

	Notes	Consolidated	
		31 Dec	30 Jun
		2020	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

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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

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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.

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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
	<u>1,628,501</u>	<u>1,426,643</u>



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.



9. TRADE AND OTHER PAYABLES

	Consolidated	
	31 Dec 2020	30 Jun 2020
Current	\$	\$
Trade payables and other	1,342,044	3,353,137
Deferment of research and development payable	571,576	-
	<u>1,913,620</u>	<u>-</u>

	31 Dec 2020	30 Jun 2020
	\$	\$
Non-Current		
Deferment of research and development payable	1,585,362	-
	<u>1,585,362</u>	<u>-</u>

Terms and Repayment Schedule

	Currency	Interest rate	Maturity Date	31 Dec 2020		30 Jun 2020	
				Face Value	Carrying Amount	Face Value	Carrying Amount
Current							
Deferment of R&D payable	AUD	0%	31/12/21	571,576	571,576	-	-

	Currency	Interest rate	Maturity Date	31 Dec 2020		30 Jun 2020	
				Face Value	Carrying Amount	Face Value	Carrying Amount
Non-Current							
Deferment of R&D payable	AUD	0%	31/12/22	1,714,728	1,585,362	-	-

During the period the Group entered into an agreement with La Trobe University to defer the settlement of a trade payable incurred in the year ended 30 June 2020. The agreement provides that if an amount remains unpaid after the maturity dates noted above, the amount unpaid will, at the election of La Trobe University, be converted to fully paid ordinary shares in the Company.



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 consolidation	Cancelled	Granted as compensation	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		Shares held post Consolidation	Held at 31 December 2020
		CN conversion and. placement	Transfer		
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		Held at 31 December 2019
			options	Sales	
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