HEXIMA LIMITED

2020 ANNUAL REPORT

2020

CHAIRMAN AND CEO LETTER

Dear Shareholders,

2019-2020 has been an exciting year for Hexima and we are pleased to update you on our progress.

During 2019-2020, Hexima substantially progressed development of its lead molecule, HXP124, as a topical treatment for nail fungus (onychomycosis). We completed our phase I/IIa clinical trial and commenced a multi-centre phase IIb clinical trial in Australia and New Zealand. HXP124 is an easy to apply solution that is simply painted onto nails, not requiring any other treatment, that rapidly clears fungus from the nail bed.

Nail fungus (onychomycosis) is a very common nail infection, affecting approximately 23 million people in the USA and more than 500 million globally. Independent market researchers have estimated the global onychomycosis market at US$3.7 billion in 2018. However, available treatments all have serious limitations including low efficacy rates, long treatment durations or the potential for severe toxic side effects.

During 2019-2020, Hexima announced positive clinical results from its phase I/IIa trial which compared HXP124 against its vehicle. 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 patients treated with the vehicle (formulation not containing HXP124). Hexima's clinical trial results to date indicate that HXP124 is safe and well tolerated and has an industry-leading rate of improvement of infected nails: eliminating the fungal infection in >50% of nails after only 6 weeks of daily treatment (approximately twice as effective as the next best topical product in that time frame).

If HXP124 achieves its target product profile of superior efficacy (as compared to the best-in-class currently available topical product) with a short treatment duration, primary US market research commissioned by Hexima with physicians and patients supports our goal that HXP124 would become the treatment-of-choice and outperform existing branded topical treatments.

Hexima is now conducting an Australian Phase IIb clinical trial for HXP124 at up to nine clinical sites in Australia and New Zealand. This trial will compare the activity of HXP124 against its vehicle in longer periods of daily dosing and a longer follow-up period to allow time for the infected nail to grow out and resolve the infection. Hexima is pleased to report that this clinical trial was recently given Australian and New Zealand ethics approval to proceed and we have begun screening for eligible patients. Approximately 132 patients are targeted to be enrolled and the results are expected by the 4th quarter of 2021. Details of the trial can be found on the Australia and New Zealand Clinical Trial Register (ACTRN12620000697987).

The Hexima board is very pleased to be transitioning HXP124 into mid-stage clinical development which it believes will add substantial value over the coming 18 months.

To fund the phase IIb clinical trial and ongoing development of HXP124, Hexima recently completed a private placement of ordinary equity to raise $5.5 million at a pre-money valuation of AU$17.5 million. The completion of this placement provides Hexima sufficient capital to complete the Phase IIb clinical trial. This placement also triggers conversion of the convertible notes which Hexima issued in 2019.

In FY2021, Hexima intends to continue scale-up of manufacturing and commence long-term animal toxicology studies to support opening an Investigational New Drug (IND) application with FDA for late-stage clinical trials in the US. Hexima recently initiated scale-up of HXP124 manufacturing with a commercial-scale manufacturer in Europe. This process is progressing well and Hexima expects to be able to produce the large quantities of HXP124 required for long-term toxicology and clinical studies at a highly competitive cost of goods.

We look forward to updating you on progress over the coming year and progressing HXP124 closer towards the market.

Jonathan West

Nicole van der Weerden

Hexima Limited

ANNUAL FINANCIAL REPORT

For the year ended 30 June 2020

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DIRECTORS' REPORT

The Directors present their report together with the financial report of Hexima Limited ("the Company" or "Hexima") and of the Group, being the Company and its subsidiaries for the financial year ended 30 June 2020 and the auditor's report thereon.

DIRECTORS

The Directors of Hexima at any time during or since the end of the financial year are:

Professor Jonathan West BA (University of Sydney), PhD (Harvard University)

Non-Executive Chairman

Professor Jonathan West was the founding Director of the Australian Innovation Research Centre. Prior to assuming that appointment, he taught for 18 years at the Harvard University Graduate School of Business Administration, where he was Associate Professor, founding Director of the Harvard University Life Sciences Initiative, and from 1998-1999 the Novartis Faculty Research Fellow. He has been Visiting Professor at Hitotsubashi University and the Nomura School of Advanced Management in Tokyo, Japan and Visiting Professor at the University de Paris IX-Dauphine, Sorbonne.

Professor West was Chairman of the Asia Advisory Council of Bunge Ltd, one of the world's largest agribusiness processing and trading companies, and has served as an advisor to other major corporations and several Governments around the world, including in the life sciences field, DuPont, Roche, Novartis, Syngenta and the J.R. Simplot Company, along with the Governments of Singapore, Japan, Hong Kong and France. He was a member of the Scientific Advisory Board of the Novartis Agricultural Discovery Institute in La Jolla, California. In Australia, he has served on the Prime Minister's Science, Engineering, Innovation Council's Working Group on Science and Technology in China and India and in 2006 was 'Eminent Thinker in Residence' with the Premier of NSW. Professor West is Non-Executive Chairman of Gowing Bros Limited and Non-Executive Director of Boundary Bend Limited and the Hydration Pharmaceuticals Trust.

Professor West has been a Director of the Company since 7 November 2005 and was appointed Non-Executive Chairman on 18 November 2014. He is a member of the Remuneration Committee and the Audit and Risk Management Committee.

Dr. Nicole van der Weerden BSc, PhD (La Trobe University)

Executive Director, Chief Executive Officer

Dr. Nicole van der Weerden completed her PhD in Biochemistry at La Trobe University in 2007. Her PhD research on the antifungal properties and mechanism of action of plant defensins led to the award of a prestigious Victoria Fellowship in 2006. Since completing her PhD, Dr. van der Weerden has worked for Hexima Limited and has led the gene discovery program for the Pioneer partnership on control of fungal diseases in corn. Dr. van der Weerden is an inventor on nine patent applications. Dr. van der Weerden completed an MBA in 2013 at Melbourne Business School and is a graduate of the Australian Institute of Company Directors. She was appointed Hexima's Chief Operating Officer in 2014 and Chief Executive Officer in December 2015.

Dr. van der Weerden has been a Director of the Company since 16 December 2014.

Professor Marilyn Anderson AO BSc (Hons) (The University of Melbourne), PhD (LaTrobe University)

Executive Director, Chief Science Officer

Professor Marilyn Anderson AO is a founding scientist of Hexima. She has over 40 years experience in scientific research in the area of plant biochemistry and genetics. After completing a BSc Honours at The University of Melbourne and a PhD in Biochemistry at La Trobe University, Professor Anderson spent seven years in the United States working on diabetes at the University of Miami, Florida and cancer at Cold Spring Harbor Laboratory in New York.

She is a Professor of Biochemistry at La Trobe University and a Member of the Australian Academy of Science Council. She was a Member of the La Trobe University Council until 2017. Professor Anderson was appointed Hexima's Chief Science Officer in July 2009.

Professor Anderson was a director at South East Water Limited for over 10 years and of City West Water from 2008 until 2013. She is a Fellow of the Australian Academy of Science, of the Australian Academy of Technological Sciences and Engineering and of the Australian Institute of Company Directors.

Professor Anderson was appointed an Officer of the Order of Australia in January 2016.

She was appointed a Director of the Company on 23 November 2010 and was a Director between 2001 and 2007.

Michael Aldridge BSc (Hons) (University of Canterbury), M.A. Applied Finance (Macquarie University)

Executive Director, Chief Business Officer

Mr Aldridge most recently served as Senior Vice President, Corporate & Strategic Development of Codexis from October 2016 until August 2018. Prior to that, from January 2012 to September 2014, Mr. Aldridge served as Senior Vice President, Corporate Strategic Development for Questcor Pharmaceuticals, Inc., a publicly-traded biopharmaceutical company acquired by Mallinckrodt Pharmaceuticals in 2014. From May 2010 to September 2012, Mr. Aldridge served as Chief Executive Officer and a member of the board of directors for Xenome Limited, a privately-held biopharmaceutical company headquartered in Australia.

Between 2003 and 2009, Mr. Aldridge served as Chief Executive Officer and a member of the board of directors and a strategic consultant of Peplin, Inc., a publicly-traded drug development company acquired by LEO Pharma A/S in 2009. Prior to that, Mr. Aldridge held investment banking positions at various financial firms, including Wilson HTM Investment Group, Bear, Stearns & Co., Volpe, Brown, Whelan & Company and S.G. Warburg Group. Mr. Aldridge received a B.S. with honours in Chemistry from the University of Canterbury in Christchurch, New Zealand and an M.A. in Applied Finance from Macquarie University in Sydney, Australia.

Mr Aldridge has been a Director of the Company since 21 May 2019.

Dr John Bedbrook BSc, PhD (Auckland University)

Non-Executive Director

Dr. John Bedbrook received his PhD in Molecular biology at Auckland University in 1974, was a Fulbright Fellow to Harvard Medical School, a Cabot Fellow to Harvard University and an EMBO fellow to The Plant Breeding Institute Cambridge England. Between 1979 and 2000, Dr. Bedbrook founded and or ran several agricultural biotechnology companies including Advanced Genetic Sciences, DNA Plant Technologies, Verdia Inc and was President of Maxygen Agriculture. He was CEO of Plant Science Ventures a venture firm investing in Biotechnology startups. After the acquisition of Verdia Inc. by DuPont in 2004 Dr. Bedbrook became Vice President of Research and Development for DuPont Agriculture and Nutrition, and subsequently Vice President of DuPont Agricultural Biotechnology. He retired from full time employment in 2013 and retained a part time role as Director Strategic Growth. Dr Bedbrook recently secured a highly valuable partnership for Dice Molecules Inc., where he is Executive Chairman, with global pharma company Sanofi targeting potential new small molecule therapeutics across a range of diseases.

Dr. Bedbrook has authored over 100 scientific papers and multiple patents. Dr. Bedbrook is Director of Plant Biosciences LTD., Executive Chairman of Dice Molecules Inc. and a Member of the Advisory Board of the College of Natural Resources at University of California Berkeley.

Dr. Bedbrook has been a Director of the Company since 3 June 2014. He is Chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee.

Dr John Bedbrook resigned as a Director on the 22nd September 2020.

G. F. Dan O'Brien BSc, BVMS (Murdoch University), MBA (Harvard University)

Non-Executive Director

Mr O'Brien is the founder and Chairman of The Hydration Pharmaceuticals Trust (HPT) which established the Hydralyte range of OTC pharmaceutical products. HPT sold the Hydralyte business in Australia and New Zealand to NYSE listed Prestige Brands Inc during 2014. HPT retains ownership of Hydralyte outside Australia and New Zealand.

Mr O'Brien has extensive experience including executive and non-executive roles with King Island Dairy Limited, Tasman Agriculture Limited, Colly Farms Cotton Limited, SPC Ardmona Limited, Coates Hire Limited, Mattel Asia Pacific and BIL Limited.

DIRECTORS' REPORT

Dan O'Brien was a Director of Hexima between 17 May 2002 and 2 October 2009 and was reappointed to the Board on 18 November 2015. He is Chairman of the Audit and Risk Committee and a member of the Remuneration Committee.

Mr Dan O'Brien resigned as a Director on the 22nd September 2020.

Justin Yap BCom (University of New South Wales)

Non-Executive Director

Mr Yap is an Executive Director of CathRx Limited, an Australian medical device company commercialising novel cardiac electrophysiology catheters for the treatment of heart rhythm disorders. He is a cofounder and Non-Executive Director of Wilhelm Integrated Solutions Pty Ltd, a leading supplier of integrated OR solutions to hospitals around Australia. Prior to this, he began his career in investment banking for Mosaic Risk Management Pty Ltd, a wholly owned subsidiary of Wilson HTM Limited specialising in derivatives risk management. He is a member of the Remuneration committee and the Audit and Risk Committee.

Mr Yap has been a Director since 17th July 2018.

Scott Robertson BSBA (University of Southern California), MBA (University of California)

Non-Executive Director

Mr. Robertson is currently Chief Financial Officer at DiCE Molecules. Prior to DiCE Molecules, Mr. Robertson served at DuPont where he was Business Development Director for DuPont Pioneer with responsibility for the business unit's crop genetics and precision agriculture M&A activity. He also held the position of portfolio manager with DuPont Ventures where he focused on strategic investment opportunities in production agriculture and the intersection of agriculture and downstream renewable technologies. Prior to joining DuPont, Mr. Robertson was an investment professional at MPM Capital, a life sciences-dedicated venture capital fund, and previous to that a member of the Healthcare Investment Banking groups at Merrill Lynch & Co. and Thomas Weisel Partners. He received a Bachelor of Science in Business Administration from the University of Southern California and an M.B.A. from the Haas School of Business at the University of California, Berkeley.

Mr Robertson has been a Director since 21 November 2018, and is a member of the Audit and Risk committee from November 2018 and the Remuneration committee.

Steven M Skala AO BA, LL.B (Hons) (University of Qld), BCL (University of Oxford)

Non-Executive Alternate Director

Steven Skala is Vice Chairman, Australia of Deutsche Bank AG, a position he has held since 2004 and is Chairman of the Commonwealth Government's Clean Energy Finance Corporation. Among public companies, he is a former Chairman of Wilson Group Limited, the Island Food Company Limited and is a former Director of the Channel TEN Group of companies and Max Capital Group Limited. Between 1982 and 2004, he was a Partner of Australian law firms, Morris Fletcher & Cross (now Minter Ellison) and Arnold Bloch Leibler.

Active beyond banking and commerce, Mr Skala is Chairman of the Heide Museum of Modern Art, Deputy Chairman of the General Sir John Monash Foundation, a Director of the Centre for Independent Studies and a Member of the International Council of the Museum of Modern Art (MoMA) in New York. He was previously Chairman of Film Australia Limited, Chairman of the Australian Centre for Contemporary Art, Vice President (Deputy Chairman) of The Walter & Eliza Hall Institute of Medical Research, a Director of the Australian Broadcasting Corporation and a Director of the Australian Ballet. He was appointed an Officer of the Order of Australia in January 2010 for service to the arts, education, business and commerce.

Mr Skala was appointed Alternate Director for Mr Scott Robertson on the 10 March 2020. He had been a Director of the Company previously from 17 May 2002 until 31 December 2015, and had been Chairman of the Company for 7 years during this time.

Company Secretary

Ms Elisha Larkin BComm(Hons) / BAgriSci(Hons), MCommercial Law (The University of Melbourne) was appointed Company Secretary on 4 May 2012, until her departure from the Company 21 November 2019.

Ms Helen Molloy BBus Federation University, ASCPA, was appointed sole company secretary on 21 November 2019 and has been with the Company since February 2010.

DIRECTORS' REPORT

Directors' Meetings

The number of Directors' meetings (including meetings of committees of Directors) and the number of meetings attended by each of the Directors of the Company during the financial year are:

	BOARD MEETINGS		AUDIT AND RISK MANAGEMENT COMMITTEE		REMUNERATION COMMITTEE	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
Jonathan West	12	12	2	2	-	-
Marilyn Anderson	12	-	2 (1)	2	-	-
John Bedbrook	12	-	2	2	-	-
Nicole van der Weerden	12	12	2 (1)	2	-	-
Dan O'Brien	12	-	2	2	-	-
Scott Robertson	12	-	2	2	-	-
Justin Yap	12	-	2	2	-	-
Michael Aldridge	12	-	-	-	-	-
Steven Skala (2)	4	4	-	-	-	-

(1) Attended by invitation
(2) Attended as Alternate Director

CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices in place throughout the financial year.

The Board of Directors

The Board is responsible for the direction and supervision of Hexima's business on behalf of the Shareholders, by whom they are elected and to whom they are accountable.

The Board's responsibilities include:

- protecting and enhancing the value of Hexima's assets;
- setting strategies and directions, then monitoring and reviewing progress against these strategic objectives;
- reviewing and ratifying internal controls, codes of conduct and legal compliance;
- ensuring the significant risks facing Hexima have been identified and adequate control, monitoring and reporting mechanisms are in place;
- approving transactions relating to acquisitions, divestments and capital expenditure above delegated authority limits; and
- approving and monitoring financial and other reporting.

The Board has adopted a Board Charter, which sets out values and business behaviours necessary to maintain confidence in Hexima's integrity. It details the respective roles and responsibilities of the Board and management.

The Board has delegated responsibility for operation and administration of the Company to the Executive Directors and executive management. Responsibilities are delineated by formal authority delegations.

Directors and Executive Education

Incoming Directors and Executives participate in informal meetings to increase their understanding of the Company, its key assets and the competitive market in which it operates. Through these meetings, Directors and Executives review the Company's policies and procedures for good corporate governance, including delegations and reservations of authority and the roles of key personnel and Board committees. They have access to continuing education to update and enhance their skills and knowledge. A review of the performance of the Board will be undertaken annually by the Chairman, in consultation with the Board.

DIRECTORS' REPORT

Composition of the Board

The Constitution of the Company provides that the number of Directors shall not be less than three. There are currently six Directors and one Alternate Director in office at the date of this report. Directors Dan O'Brien and Dr Joohn Bedbrook were also Directors throughout the financial year, both resigning on the 22nd September 2020. The names and qualifications of all 8 directors are set out on pages 3 to 5 of this Directors' Report.

The company is no longer listed on the ASX but the Board continues to consider the ASX corporate governance principles. The ASX best practice recommendations require a majority of the Board to be independent Directors and the chairperson to be an independent director. The Board has directors who satisfy the ASX guidelines for independence being 1) Chairman Professor Jonathan West, 2) John Bedbrook, 3) Mr Justin Yap and 4) Mr Scott Robertson). Mr Dan O'Brien is a Non-Executive Director but does not qualify as independent because of his shareholdings in Hexima. Professor Marilyn Anderson, Dr van der Weerden and Mr Michael Aldridge do not qualify as independent as they are Executive Directors. The Board considers their significant commitment as share and option holders (which aligns their interests with those of other shareholders) and broad experience as directors of other companies provide advantages to the Board which outweigh any disadvantage in them not satisfying the ASX guidelines for independence. The Board will review this position at least annually.

Board Committees

To assist in the execution of its responsibilities, the Board has established a number of board committees including a Nomination Committee, a Remuneration Committee and an Audit and Risk Management Committee. These Committees have written mandates and operating procedures, which are reviewed on a regular basis.

The full Board has monthly meetings scheduled for the coming year. Extraordinary meetings will be convened at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for meetings is prepared in conjunction with the Chairman. Submissions are circulated in advance. Executives are regularly involved in Board discussions.

Nomination Committee

The Board has in place a Nomination Committee to assist it in ensuring the Board has an effective composition, size and commitment.

The Nomination Committee develops criteria for Board membership, identifies specific individuals for nomination as Directors and establishes processes for the review of the performance of individual Directors and the Board as a whole. In addition, it is the policy of the Nomination Committee to meet as early as practicable prior to the expiration of the term of office of a Director to consider suitably skilled and experienced individuals for nomination as Directors.

Further details of the Nomination Committee's charter form part of the Board Charter, which is available on the Company's website.

Each of the non-executive Directors are currently on the Nomination Committee. The Board reviewed the structure of the Board and senior Executive team throughout the current financial year within existing scheduled Board meetings.

No meetings were held during the year for the Nomination Committee.

Remuneration Committee

The Board reviews and rewards the performance of the senior management team. In doing so, they consider recommendations from the Remuneration Committee.

The Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to Key Executives and Directors. The Remuneration Committee Charter forms part of the Board Charter, which is available on the Company's website.

The Remuneration Committee will consist of at least three Directors, a majority of whom are Non-Executive Directors and at least one of whom is an independent director. This differs from the ASX best practice recommendations which require a majority of independent Directors and an independent Chairman. Hexima has satisfied the ASX recommendations with an independent Chairman and three independent members. The members are Dr. John Bedbrook (Chairman), Professor Jonathan West, Dan O'Brien, Justin Yap and Scott Robertson.

The Remuneration Committee meets as necessary, generally once a year in order to review and make recommendations to the Board. During the financial year ended 30 June 2020, the Remuneration Committee did not meet separately, however addressed remuneration issues at meetings of the full Board.

The Remuneration Committee may invite any executive management team members or other individuals to attend meetings of the Remuneration Committee as it considers appropriate. The Remuneration Report is set out on pages 13 to 18 and forms part of the Directors' Report for the financial year ended 30 June 2020.

Audit and Risk Management Committee

The Board has in place an Audit and Risk Management Committee to assist it in verifying and safeguarding the integrity of Hexima's financial reporting. The Audit and Risk Management Committee Charter forms part of the Board Charter, which is available on the Company's website.

The Audit and Risk Management Committee reviews the financial information which is provided to shareholders and others, the systems of internal controls which management and the Board have established and the audit process.

The Audit and Risk Management Committee also reviews the performance of the external auditors on an annual basis and normally meets with them during the year to:

- discuss the external audit, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed;
- review the half-year and preliminary final report prior to lodgment with ASIC, and any significant adjustments required as a result of the auditor's findings, and to recommend board approval of these documents, prior to announcement of results;
- review the draft annual and half-year financial report, and recommend board approval of the financial report; and
- review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.

Audit and Risk Management Committee meetings are to be held periodically throughout the year. It is the policy of the Board that the members of the Audit and Risk Management Committee should be Non-Executive Directors, at least one of whom should also be independent. This differs from the ASX best practice recommendations which require a majority of independent Directors and an independent Chairman. Hexima has satisfied the ASX recommendations as to a majority of independent members, however the Committee is Chaired by Non-Executive Director Mr Dan O'Brien, who does not meet the independence definition due to his shareholding in Hexima. The Audit and Risk Management Committee comprises Mr Dan O'Brien (Chairman), Professor Jonathan West, Dr. John Bedbrook, Mr Justin Yap and Mr Scott Robertson.

The Chief Executive Officer, Company Secretary, Financial Controller and external auditors will generally attend all Audit and Risk Management Committee meetings. The Audit and Risk Management Committee met twice during the year and the committee members' attendance record is disclosed in the table of Directors' meetings on page 6.

The Chief Executive Officer and the Financial Controller have declared in writing that the records for the year have been properly maintained, the Company's financial reports for the year ended 30 June 2020 comply with accounting standards and present a true and fair view of the Company's financial condition and operating results. This statement is required annually by the Board.

Communication with Shareholders

Hexima's policy is to provide timely, open and accurate information to all stakeholders, including shareholders, regulators and the wider investment community. The Board Charter includes a continuous disclosure protocol to ensure compliance with the *Corporations Act 2001*.

In summary, the Company's continuous disclosure protocol operates as follows:

- the full Annual Financial Report and Half-Yearly results commentary are available on the Company's website and are sent to all shareholders who request them; and
- the Annual Financial Report and the Half-Yearly Accounts are sent to shareholders on request.

Hexima's communications strategy is set out in the Board Charter and is designed to promote effective communication with shareholders and encourage effective participation at general meetings.

DIRECTORS' REPORT

Risk Management

The Board is responsible for the assessment of risk.

Intellectual Property

Intellectual Property is Hexima's most important asset and protection of its IP portfolio is critical to the Company's ability to implement its business strategy. Hexima has consistently invested significant amounts in the development and maintenance of this IP portfolio.

Hexima's IP Committee, chaired by Dr Nicole van der Weerden, meets regularly to identify and monitor the creation of IP and to monitor and review claims filed by other companies in the same technical field. The Committee works closely with Hexima's US and Australian patent attorneys.

The Committee also develops and maintains appropriate protocols for recording research results and maintaining the confidentiality of know-how and information associated with Hexima's trials and technology.

Regulatory Framework (including Environmental Regulation)

The group is subject to environmental regulations and other licenses in respect of its research and development facilities. There are adequate systems in place to ensure compliance with relevant Federal, State and Local environmental regulations and the Board is not aware of any breach of applicable environmental regulations by the group. There were no significant changes in laws or regulations during the 2020 financial year or since the end of the year affecting the business activities of the group, and the Board is not aware of any such changes in the near future.

Financial Reporting

The Chief Executive Officer and the Financial Controller have declared in writing to the Board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

Actual monthly results are reported against budgets approved by Directors, and revised forecasts for the year are prepared regularly.

Funds Management

The Company's policy is to invest funds in term deposits or bank bills.

Ethical Standards

All Directors, Executives and employees are expected to act with the utmost integrity at all times to enhance the reputation and performance of the Company. Every employee has a supervisor to whom they may refer any issues arising from their employment.

Conflicts of Interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The Board has procedures to assist Directors to disclose potential conflicts of interest.

Independent Advice

Each Director has the right of access to all relevant Company information and to the Company's Executives and, subject to prior consultation with the Chairman, may seek independent professional advice at the Company's expense. A copy of the advice received by the Director will be made available to all members of the Board.

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

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. Hexima's lead drug candidate is the plant defensin, HXP124, which is being developed for treatment of fungal nail infections (onychomycosis). Hexima's principle activities in 2019-2020 included successfully completing a first-in-human clinical trial for HXP124 and producing a new expression strain to increase the yield of HXP124 in the manufacturing process.

OPERATING AND FINANCIAL REVIEW OF THE GROUP

Financial performance

	2020	2019
	$	$
Revenue	2,568,341	3,431,535
Results from operating activities	(3,534,291)	(2,914,607)
Net financing (expense)/income	(91,471)	23,129
Income tax expense	-	(4,054)
Net loss after tax attributable to members	(3,625,762)	(2,895,532)
Dividends	NIL	NIL

Summary and Outlook

The Group had net cash outflows from operating activities of $2,099,064 for the year ended 30 June 2020, compared with $1,639,073 for the prior year. The variance is a combination of both lower cash receipts and lower cash payments. The cash receipts differ between the years as 2019 included a large debtor receipt from the 2018 year. The cash payments have decreased from the prior year as there has been a movement of a major creditor to long term liability in 2020. The Group recorded a loss after tax of $3,625,762 for the year ended 30 June 2020. A loss after tax of $2,895,532 was recorded for the previous financial year. Net finance expense for the Group for the financial year ended 30 June 2020 was $91,471 (2019: income of $23,129). The variance in net finance income/expense from the prior year is largely due to the movement of the exchange rate affecting the USD denominated bank account.

Financial position

Hexima has cash and receivables of $3,649,727 at 30 June 2020 (2019: $4,314,281).

Operational update

During 2019-2020, Hexima substantially progressed development of its lead molecule, HXP124, as a topical treatment for nail fungus (onychomycosis). We completed our phase I/IIa clinical trial and commenced a phase IIb clinical trial in Australia and New Zealand. HXP124 is an easy to apply solution that is simply painted onto nails, not requiring any other treatment, that rapidly clears fungus from the nail bed.

Nail fungus (onychomycosis) is a very common nail infection, affecting approximately 23 million people in the USA and more than 500 million globally. Independent market researchers have estimated the global onychomycosis market at US$3.7 billion in 2018. However, available treatments all have serious limitations including low efficacy rates, long treatment durations or the potential for severe toxic side effects.

During 2019-2020, Hexima announced positive clinical results from its phase I/IIa trial for HXP124. 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. Hexima's clinical trial results to date indicate that HXP124 is safe and well tolerated and has an industry-leading rate of improvement of infected nails: eliminating the fungal infection in >50% of nails after only 6 weeks of daily treatment (approximately twice as effective as the next best product in that time frame).

If HXP124 achieves its target product profile of superior efficacy (as compared to the best-in-class currently available topical product) with a short treatment duration, primary US market research commissioned by Hexima with physicians and patients supports our goal that HXP124 would become the treatment-of-choice and outperform existing branded topical treatments.

Hexima is now conducting an Australian Phase IIb clinical trial for HXP124 at up to nine clinical sites in Australia and NZ. This trial will assess the activity of HXP124 after longer periods of daily dosing and follow-up period to allow time for the infected nail to grow out and resolve the infection. Hexima is pleased to report that this trial was recently given Australian ethics approval to proceed and we have begun screening for eligible patients. Approximately 132 patients are targeted to be enrolled and the results are expected by the 4th quarter of 2021. Details of the trial can be found on the Australia and New Zealand Clinical Trial Register (ACTRN12620000697987).

To fund the phase IIb clinical trial and ongoing development of HXP124, Hexima is conducting a capital raising and seeking to re-list on the ASX. The capital raising will be conducted in two tranches at a pre-money valuation for Hexima of AU$17.5m. The first tranche will be a private placement to sophisticated investors to raise a minimum AU$5m. The placement will trigger the automatic conversion of the existing Convertible Notes into ordinary shares. The board plans to immediately follow this placement with a public offer of shares to raise approximately AU$2m and to seek re-listing on the ASX. In preparation for this re-listing, Hexima will hold an Extraordinary General Meeting on 5 October 2020 to vote on the adoption of a new constitution and a 1 for 2 share consolidation.

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 FDA for late-stage clinical trials in the US. Hexima recently initiated scale-up of HXP124 manufacturing with a commercial-scale manufacturer in Europe. This process is progressing well and Hexima expects to be able to produce the large quantities of HXP124 required for long-term toxicology studies at a highly competitive cost of goods.

Hexima has also continued discussions with potential partners for HXP124 in Japan. The Japan market for onychomycosis products is well developed with the leading topical product, Clenafin® (equivalent to Jublia®) selling >US$220 million in 2017. Given the unique dynamics of the Japanese market, Hexima is seeking a collaborative development and commercialization relationship in Japan. Hexima has received strong interest in HXP124 from potential partners, reflecting strong demand for novel, effective topical products to treat onychomycosis.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Convertible notes of $1,400,000 have been issued during the 2020 financial year. There were no other significant changes in the state of affairs of the Group that occurred during the financial year.

DIVIDENDS

The Company has not paid or declared any dividends during or since the end of the financial year ended 30 June 2020.

LIKELY DEVELOPMENTS

Further disclosure of information regarding likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because, in the opinion of the Directors, disclosure of the information may prejudice the interests of the Group.

ENVIRONMENTAL REGULATION

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

DIRECTORS' REPORT

UNAUDITED REMUNERATION REPORT

The remuneration report set out on pages 13 to 18 is not required under the Corporations Act 2001 as the Group is an unlisted disclosing entity. The Group has voluntarily included some of the disclosures.

Principles of Remuneration

Key management personnel (including Directors of the Company and other Executives) have authority and responsibility for planning and controlling the activities of the Group. For the financial year ended 30 June 2020, key management personnel comprised all Directors, Executives and the Company Secretary. This included Professor Jonathan West, Dr. Nicole van der Weerden, Dr. John Bedbrook, Professor Marilyn Anderson, Mr Dan O'Brien, Mr Justin Yap, Mr Scott Robertson, Mr Michael Aldridge, Mr Steven Skala, Ms Elisha Larkin and Ms Helen Molloy. Remuneration levels for key management personnel are set to attract and retain appropriately qualified and experienced Directors and Executives. The Remuneration Committee obtains independent advice on remuneration packages and reviews remuneration at least on an annual basis.

Remuneration structures take into account the capability and experience of key management personnel. Remuneration includes a mix of fixed and variable remuneration as well as short and long term incentives.

Fixed Remuneration

Fixed remuneration consists of base remuneration, which is calculated on a total cost basis and includes any FBT charges related to employee benefits, as well as employer contributions to superannuation funds.

Performance Linked Remuneration

Performance linked remuneration may include short and long term incentives.

Short term incentive bonuses are based on the satisfaction of specified performance criteria, which may include financial or non-financial objectives. The Remuneration Committee approves the offer and payment of short term incentive bonuses to key management personnel and to other employees.

Long term incentives may be provided as options over the Company's ordinary shares and other securities. Details are provided on page 18 of the Directors' Report.

Consequences of Performance on Shareholder Wealth

Hexima is a development stage company and the remuneration of key management personnel is not determined by the level of revenue, profit or dividends. Instead, consideration is given to the progress of scientific programs, the commercialisation of those programs, the development of the Company's intellectual property and asset base and long-term share price performance.

Service Contracts

The Group has entered into service contracts with key management personnel, which outline the components of compensation paid to key management personnel, but do not prescribe how compensation levels are modified from year to year. Compensation levels are reviewed each year to take into account cost-of-living changes, any change in scope of the role performed by the senior Executive, and any changes required to meet the principles of the compensation policy.

All employment contracts may be terminated immediately for cause or for material underperformance.

Professor Marilyn A Anderson AO

Executive Director Professor Anderson was appointed Chief Science Officer from 1 July 2009. She was formerly Senior Vice President Research and Discovery. Professor Anderson is an employee of La Trobe University and Hexima contracts her services through a Research Agreement with the University. In addition to her employment by the University, Professor Anderson also has an employment contract with the Group.

Dr. Nicole van der Weerden

Executive Director Dr. van der Weerden has been a member of the Executive since 2012 and was appointed Chief Executive Officer in December 2015. Dr. van der Weerden is an employee of La Trobe University and Hexima contracts her services through a Research Agreement with the University. In addition to her employment by the University, Dr. van der Weerden also has an employment contract with the Group.

Elisha Larkin

Ms Larkin was appointed Company Secretary on 4 May 2012, leaving the company on 21 November 2019. Ms Larkin held the position of Chief Operating Officer between May 2012 and July 2014. Ms Larkin was an employee of the Group.

Helen Molloy

Ms Molloy was appointed sole Company Secretary on 21 November 2019. Ms Molloy is an employee of the Group and is also Financial Controller.

Non-Executive Directors

The Constitution provides that Non-Executive Directors may be paid or provided fees or other remuneration for their services as a Director of Hexima (including as a member of any Directors' committee). The total amount or value of this remuneration must not exceed $500,000 (including mandatory superannuation) per annum or such other maximum amount determined by the Company in a general meeting.

A Non-Executive Director may be paid remuneration for services outside the scope of ordinary duties of the Director. Non-Executive Directors may also be paid expenses properly incurred in attending meetings or otherwise in connection with the Company's business. Additional "per diem" fees may be paid where services rendered are above normal requirements.

Non-Executive directors have not received any cash payments since 1 January 2015, and have instead received equity compensation.

Post 30 June 2020, both Steven Skala and Jonathan West are to receive $100,000 as they have performed duties over and above that expected from a non-executive director in the lead up to the $5million placement occurring in September 2020.

DIRECTORS' REPORT

UNAUDITED REMUNERATION REPORT – *(Continued)*

Directors' and Executive Officers' Remuneration

Details of the nature and amount of each major element of remuneration of each Director of the Company and each key management personnel are:

		Short Term	Share based payments	Post employment	Other		
		Fixed Remuneration (Salary & Fees)	Share Options Issued (1)	Employment Benefits – Super/Health cover	Leave Benefits	Total Remuneration	Value of options as proportion of remuneration
Non-executive Directors							
Jonathan West	2020	-	15,280	-	-	15,280	100%
	2019	-	16,300	-	-	16,300	100%
John Bedbrook	2020	-	14,701	-	-	14,701	100%
	2019	-	28,710	-	-	28,710	100%
GF Dan O'Brien	2020	-	7,641	-	-	7,641	100%
	2019	-	8,150	-	-	8,150	100%
Scott Robertson	2020	-	12,514	-	-	12,514	100%
	2019	-	8,062	-	-	8,062	100%
Justin Yap	2020	-	9,017	-	-	9,017	100%
	2019	-	6,099	-	-	6,099	100%
Steven Skala AO	2020	-	-	-	-	-	-
	2019	-	-	-	-	-	-
Executive Directors							
Marilyn Anderson AO (2)	2020	75,404	3,543	7,163	8,421	94,531	4%
	2019	75,404	10,280	7,163	17,521	110,368	9%
Nicole van der Weerden (4)	2020	81,398	7,085	8,643	10,163	107,289	7%
	2019	87,218	20,560	8,286	21,540	137,604	15%
Michael Aldridge	2020	386,529	94,717	29,942	-	511,188	19%
	2019	34,433	9,067	-	-	43,500	21%

DIRECTORS' REPORT

UNAUDITED REMUNERATION REPORT – *(Continued)*

Directors' and Executive Officers' Remuneration (Continued)

Executive							
Elisha Larkin (3)	2020	(4,286)	2,370	3,686	-	1,770	134%
	2019	98,081	2,056	9,318	24,715	134,170	2%
Helen Molloy (5)	2020	143,891	2,207	13,670	22,939	182,707	1%
	2019	-	-	-	-	-	-
Total	**2020**	**682,936**	**169,075**	**63,104**	**41,523**	**956,638**	**18%**
	2019	**295,136**	**109,310**	**24,767**	**63,776**	**492,989**	**22%**

UNAUDITED REMUNERATION REPORT – *(Continued)*

Directors' and Executive Officers' Remuneration (Continued)

Notes in relation to the table of Directors' and Executive officers' remuneration

1. The fair value of options is calculated at grant date using the Black-Scholes Pricing model, and allocated to each period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognized in this reporting period.
2. Professor Anderson is employed by La Trobe University. The Company engages her services through a Research Agreement with the University and through a separate direct employment agreement. Professor Anderson's total remuneration from the Company and La Trobe University (in relation to services performed for Hexima) was $136,259, comprising $94,531 paid and payable directly by the Company and $41,728 paid by La Trobe University (for services performed for Hexima). The amount shown in the table above represents payments made directly to Professor Anderson by the Group only. Professor Anderson is the Chief Science Officer for Hexima Limited as well as an Executive Director of the Company.
3. Ms Elisha Larkin was appointed Company Secretary on 4 May 2012, and resigned effective 19 November 2019. Elisha was employed on a part-time basis.
4. Dr. Nicole van der Weerden was appointed Chief Executive Officer in December 2015 and has been an Executive Director since 16th December 2014. She is employed by La Trobe University. The Company engages Dr. van der Weerden's services through a Research Agreement with the University and through a separate direct employment agreement. Dr van der Weerden's total remuneration from the Company and La Trobe University (in relation to services performed for Hexima) was $256,816, comprising $116,870 paid and payable directly by the Company, and $139,946 paid by La Trobe University (for the services performed for Hexima). The amount shown in the table above represents payments made directly to Dr. van der Weerden by the Group only.
5. Ms Molloy was appointed sole Company Secretary on 21 November 2019. Ms Molloy is an employee of the Group and is also Financial Controller.

Equity instruments

All options refer to options over ordinary shares of Hexima Limited, which are exercisable on a one-for-one basis.

Options over equity instruments granted as compensation

Details on options over ordinary shares in the Company granted to key management personnel and Executives during the reporting period.

30 June 2020:

	No. of Options Granted	Exercise Price	Grant Date	Fair value per option at grant date	Expiry Date	No. of options vested during 2020
Jonathan West	500,000	$0.50	28/1/2020	$0.037	27/1/2025	-
John Bedbrook	250,000	$0.50	28/1/2020	$0.037	27/1/2025	-
GF Dan O'Brien	250,000	$0.50	28/1/2020	$0.037	27/1/2025	-
Justin Yap	250,000	$0.50	28/1/2020	$0.037	27/1/2025	-
Scott Robertson	250,000	$0.50	28/1/2020	$0.037	27/1/2025	-
Elisha Larkin	50,000	$0.50	15/11/2019	$0.037	15/11/2024	50,000
Helen Molloy	60,000	$0.50	15/11/2019	$0.037	15/11/2024	60,000
Total	**1,610,000**					**110,000**

30 June 2019:

	No. of Options Granted	Exercise Price	Grant Date	Fair value per option at grant date	Expiry Date	No. of options vested during 2019
Jonathan West	500,000	$0.50	01/01/2019	$0.027	01/01/2024	**-**
John Bedbrook	250,000	$0.50	01/01/2019	$0.027	01/01/2024	-
GF Dan O'Brien	250,000	$0.50	01/01/2019	$0.027	01/01/2024	**-**
Justin Yap	125,000 250,000	$0.20 $0.50	07/07/2018 01/01/2019	$0.033 $0.027	01/01/2023 01/01/2024	**-** -
Scott Robertson	1,000,000	$0.50	22/02/2019	$0.037	22/02/2024	**-**
Michael Aldridge	5,000,000	$0.50	18/06/2019	$0.141	18/06/2029	**-**
Total	**7,375,000**					

DIRECTORS' REPORT

DIRECTOR'S INTERESTS

Set out below are details of the interests of the Directors at the date of this report in the shares of the Company, rights or options over such instruments. Interests include those held directly and indirectly.

Director	Total shares	Options over shares
Jonathan West	6,000,000	3,000,000
Marilyn Anderson	4,561,096	250,000
John Bedbrook	500,000	2,500,000
Nicole van der Weerden	289,400	1,500,000
GF Dan O'Brien	30,318,705	1,250,000
Justin Yap	-	625,000
Scott Robertson	-	1,350,000
Michael Aldridge	-	5,000,000
Steven Skala	9,960,057	250,000
Total	**51,629,258**	**15,725,000**

A related party of Justin Yap holds 29,431,579 shares in the Company.

Entities associated with Steven Skala will subscribe for 1,000,000 shares.

SHARE OPTIONS

Unissued shares under option

At the date of this report, unissued ordinary shares of the Company under option are:

Expiry Date	Exercise Price	Number of Shares
11 December 2020	$0.50	2,750,000
12 February 2022	$0.08	2,325,000
12 February 2022	$0.20	1,250,000
31 December 2022	$0.20	200,000
1 January 2023	$0.20	1,759,000
1 January 2024	$0.50	1,250,000
22 February 2024	$0.50	1,000,000
18 June 2029	$0.50	5,000,000
15 July 2024	$0.50	571,000
28 January 2025	$0.50	1,500,000
		17,605,000

Conversion of convertible notes to shares and the subsequent share price are dependent on the event causing conversion. Refer to Note 15 for the conversion terms.

Shares issued on exercise of options

The Group's policies prohibit those that are granted share-based payments as part of their remuneration from entering into other arrangements that limit their exposure to losses that would result from share price decreases. The Group requires all Executives and Directors to sign annual declarations of compliance with this policy throughout the period.

AUDITORS

Audit Services	2020	2019
	$	$
Audit of the annual financial report	28,866	37,950
Review of half year financial report	19,362	13,100
	48,228	51,050

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

No indemnities were given or insurance premiums paid during the financial year for any person who was an auditor of the Company. During the financial year ended 30 June 2020, the Company paid insurance premiums in respect of Directors' and Officers' liability and legal expenses insurance contracts. This covered both current and former Directors and Officers of the Company. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a willful breach of duty or improper use of information or position to gain personal advantage.

EVENT SUBSEQUENT TO REPORTING DATE

Subsequent to year end, the Group has completed a Placement of $5.5million during September 2020. The placement has triggered the conversion of the convertible notes on issue. A Public Offering is planned for November 2020 where the capital raise is expected to be $3million.

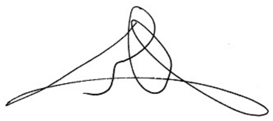
Other than the matters noted above, there have been no events subsequent to balance date which would have a material effect on the Group's financial statements as at 30 June 2020.

DIRECTORS' REPORT

LEAD AUDITORS' INDEPENDENCE DECLARATION UNDER SECTION 370C OF THE CORPORATIONS ACT 2001

The Lead Auditor's Independence Declaration is set out on page 59 and forms part of the Directors' Report for the year ended 30 June 2020.

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



Professor Jonathan West

Non-Executive Chairman

Dr Nicole van der Weerden

Executive Director and Chief Executive Officer

Dated this 30th day of September 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

		Consolidated	
	Notes	2020	2019
		$	$
Revenue	6	2,568,341	3,431,535
Contracted research expenditure		(2,180,959)	(2,719,090)
Other research and development expenditure	7	(1,839,169)	(1,791,307)
Patent and legal expenses		(264,998)	(259,016)
Marketing and business development		(126,749)	(392,189)
Employee benefits expense		(1,103,154)	(760,064)
Depreciation expense		(162,359)	(172,484)
Other expenses	8	(425,244)	(251,992)
		(6,102,632)	(6,346,142)
Results from operating activities		(3,534,291)	(2,914,607)
Finance income	9	89,308	40,307
Finance expense	9	(180,779)	(17,178)
Net financing (expense) / income	9	(91,471)	23,129
Loss before income tax		(3,625,762)	(2,891,478)
Income tax expense	10(a)	-	(4,054)
Loss for the period		(3,625,762)	(2,895,532)
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive loss for the period		(3,625,762)	(2,895,532)
Loss attributable to:			
Owners of the Company		(3,625,762)	(2,895,532)
Loss for the period		(3,625,762)	(2,895,532)
Total comprehensive loss attributable to:			
Owners of the Company		(3,625,762)	(2,895,532)
Total comprehensive loss for the period		(3,625,762)	(2,895,532)
Basic EPS (cents per share)	17	**(2.78)**	**(2.22)**
Diluted EPS (cents per share)	17	**(2.76)**	**(2.21)**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

		Consolidated	
	Notes	2020	2019
		$	$
CURRENT ASSETS			
Cash and cash equivalents	11	1,357,647	1,950,569
Receivables	12	2,292,080	2,363,712
TOTAL CURRENT ASSETS		3,649,727	4,314,281
NON-CURRENT ASSETS			
Plant and equipment	13	1,275,586	1,436,522
TOTAL NON-CURRENT ASSETS		1,275,586	1,436,522
TOTAL ASSETS		4,925,313	5,750,803
CURRENT LIABILITIES			
Trade and other payables	14	3,353,137	1,975,098
Loans and borrowings	15	3,022,372	1,603,900
Employee benefits	16	170,079	353,444
TOTAL CURRENT LIABILITIES		6,545,588	3,932,442
TOTAL LIABILITIES		6,545,588	3,932,442
(DEFICIENCY IN NET ASSETS) / NET ASSETS		(1,620,275)	1,818,361
EQUITY			
Share capital	17	61,006,378	61,006,378
Reserves	17	1,640,525	1,453,399
Accumulated losses		(64,267,178)	(60,641,416)
TOTAL EQUITY		(1,620,275)	1,818,361

The accompanying notes form part of these financial statements

HEXIMA LTD

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

Consolidated

2020	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**
Total comprehensive loss for the period							
Net (loss) for the period		-	-	-	-	(3,625,762)	(3,625,762)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive loss for the year		-	-	-	-	(3,625,762)	(3,625,762)
Transactions with owners recorded directly in equity							
Contributions by and distributions to owners							
Share based payment expenses		-	-	187,026	-	-	187,026
Amount received on issue of options		-	-	100	-	-	100
Issue of shares on exercise of options		-	-	-	-	-	-
Total contributions by and distributions to owners		-	-	187,126	-	-	187,126
Transfer of capital raising costs to share capital		-	-	-	-	-	-
Closing balance at 30 June 2020		**61,006,378**	**200,000**	**1,440,525**	**-**	**(64,267,178)**	**(1,620,275)**

2019	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
Total comprehensive loss for the period							
Net (loss) for the period		-	-	-	-	(2,895,532)	(2,895,532)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive loss for the year		-	-	-	-	(2,895,532)	(2,895,532)
Transactions with owners recorded directly in equity							
Contributions by and distributions to owners							
Share based payment expenses				115,278	-	-	115,278
Amount received on issue of options		-	-	100	-	-	100
Issue of shares on exercise of options		30,000	-	-	-		30,000
Total contributions by and distributions to owners		30,000	-	115,378	-	-	145,378
Transfer of capital raising costs to share capital		-	-	-	-	-	-
Closing balance at 30 June 2019		**61,006,378**	**200,000**	**1,253,399**	**-**	**(60,641,416)**	**1,818,361**

The accompanying notes form part of these financial statements

All amounts are shown net of tax.

HEXIMA LTD

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

		Consolidated	
		2020	**2019**
	Notes	**$**	**$**
CASH FLOWS USED IN OPERATING ACTIVITIES			
Cash receipts from government grants & collaboration agreements		2,689,709	3,538,065
Cash paid to suppliers and employees		(4,788,773)	(5,177,138)
Net cash used in operating activities	19(b)	(2,099,064)	(1,639,073)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		2,551	10,478
Payments for plant and equipment		(1,738)	(1,081)
Net cash from investing activities		813	9,397
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments received on issue of options		100	100
Receipt of Paycheck Protection Program from the US Government		63,991	-
Issue of shares on exercise of options		-	30,000
Cash from Convertible note issue		1,400,000	1,603,900
Net cash from financing activities		1,464,091	1,634,000
Net (decrease) / increase in cash and cash equivalents		(634,160)	4,324
Effect on movements in exchange rates on foreign currency denominated cash at bank		41,238	29,828
Cash and cash equivalents at 1 July		1,950,569	1,916,417
Cash and cash equivalents at 30 June	19(a)	1,357,647	1,950,569

The accompanying notes form part of these financial statements

1. REPORTING ENTITY

Hexima Limited (the “Company”) is a Company domiciled in Australia and is a for-profit entity. The address of the Company’s registered office is Level 4, LIMS 2, La Trobe University, Victoria, 3086. The consolidated financial statements of the Company as at and for the year ended 30 June 20 comprises the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”). The Group is actively engaged in the research and development of plant-derived proteins for applications as human therapeutics. It’s lead drug candidate, HXP124 is in phase I/IIa clinical trials for the treatment of fungal toenail infections (onychomycosis).

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 30th September 2020.

This is the first set of the Group’s annual financial statements in which AASB 16 Leases has been applied. Changes to significant accounting policies are described in Note 2(e).

(b) Basis of measurement

The financial report has been prepared on the basis of historical cost, except for share options and the embedded derivative in respect of convertible debt which has been measured at fair value.

(c) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the Group’s functional currency.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Measurement of fair values
A number of the Group’s accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. The Group engages a third party to perform fair value calculations for share options issues which is reviewed by the finance team. Significant valuation issues are reported to the Group Audit Committee.

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

2. BASIS OF PREPARATION *(continued)*

(d) Use of estimates and judgements *(continued)*

Measurement of fair values (continued)

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The Group measure the following assets/liabilities at fair value: Share-based payment transactions and convertible notes.

Convertible notes
The fair value of the embedded derivative within the convertible note as at reporting date is measured using the Monte Carlo Model. Measurement inputs was based on the terms and conditions of the convertible note.

Share-based payment transactions
The fair value of employee share options at grant date is measured using the Binomial Approximation Option Pricing method. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 15 – convertible notes. Refer to Note 15.
- Note 18 – measurement of share-based payments

(e) Changes in accounting policies

The Group initially applied AASB 16 Leases from 1 July 2019. A number of other new standards are also effective from 1 July 2019 but they do not have a material effect on the Group's financial statements.

The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in AASB 16 have not been applied to comparative information.

A. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under AASB Interpretation 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 3 (n).

On transition to AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and AASB interpretation 4 were not reassessed for whether there is a lease under AASB 16. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

B. As a lessee

The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

C. As a lessor

The Group leases out its own property (glasshouse).

The Group is not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor.

2. BASIS OF PREPARATION *(continued)*

(e) Changes in accounting policies *(continued)*

D. Impact on financial statements

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

Refer to note 3 (n) on the Group's accounting policies for leases.

(f) 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 Group has a history of losses and incurred a loss after tax for the year ended 30 June 2020 of $3,625,762 (2019: loss after tax of $2,895,532) and as at 30 June 2020 has a deficiency in net current assets of $2,895,861 (2019: surplus of net current assets of $381,839) and an overall net asset deficiency of $1,620,275 (2019: net asset surplus of $1,818,361).

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

- The Group has finalised a $5,500,000 placement. Binding subscription agreements for the full amount of the placement were received by 22 September 2020 and funds were received in the bank account within 5 business days from the 22 September 2020.
- Included in current liabilities as at 30 June 2020 are convertible notes with a carrying value of $2,958,381 and associated accrued interest of $197,957. As set out in Note 15, these notes and any accrued interest are mandatorily convertible to equity in the event of a fund raise greater than $5million and therefore have converted in September 2020. Current note holders, will receive new shareholding statements from 28 September 2020. Excluding these instruments, the Group has a net current asset position at 30 June 2020 of $260,477 and a net asset position of $1,536,063;
- The Group has demonstrated it has the ability to negotiate creditor settlement terms with its major research service provider to align with cash resources available to it, and has a commitment post year end to allow the Group to defer $1,522,492 of amounts payable and recorded as a trade payable in current liabilities as at 30 June 2020 and instead repay this amount on 31 December 2022. Additionally, the provider has committed in principle that should the Company be unable to pay this amount as it becomes due, it will accept conversion of the liability into equity of the Company instead;
- 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; and
- A cash flow forecast has been prepared by management based on the Group's approved budget, incorporating the points noted above and assuming that COVID-19 continues not to have a significant impact on the operation of the Group. This cash flow forecast demonstrates that the Group has sufficient resources to meet its obligations as at 30 June 2020 and that it will continue to meet its obligations for a period of at least 12 months following the approval of these financial statements.

The Group's ability to continue to operate as a going concern is dependent upon successful capital raisings sufficient to continue the planned development of HXP124 through the phase IIb study, the completion of which is uncertain at the date of approval of these financial statements. 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 provisions for other costs which may arise.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods by Group entities.

Certain comparative amounts have been reclassified to conform to the current year's presentation.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of Consolidation

Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(a) Basis of Consolidation *(continued)*

Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Financial Instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Financial Instruments *(continued)*

(ii) Classification and subsequent measurement (continued)

Financial assets – Subsequent measurement and gains and losses (continued):

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. There were no debt investment at FVOCI during or at year end.

Financial Liabilities:

The group issued convertible notes denominated in AUD that will be converted to ordinary shares. The value and number of shares to be issued is dependent on the event triggering the conversion.

Equity investments at FVOCI

These asset are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss. There were no equity investment at FVOCI during or at year end.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

Convertible notes are derecognised and converted to equity when a triggering event occurs as detailed in Note 15.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Share capital

Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

Dividends
Dividends are recognised as a liability in the period in which they are declared.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment. Cost includes expenditures that are directly attributable to the acquisition of the asset.

(ii) Subsequent costs

The Company recognises in the carrying amount of an item of plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset. Depreciation is recognised in profit or loss on a straight-line or diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives for the current and comparative periods are as follows:

	2020	2019
Plant and equipment	15% - 37.5%	15% - 37.5%
Office equipment	33% - 66.7%	33% - 66.7%
Plant and equipment - Building	5%	5%

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(d) Foreign Currency

Transactions in foreign currencies are translated to the functional currency of Group entities at exchange rates at the dates of the transactions.

(e) Impairment

(i) Non-derivative financial assets

Financial instruments and contract assets

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI. The Group did not have any debt investment of FVOCI during and as at 30 June 2020; and
- contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Impairment (continued)

(i) Non-derivative financial assets (continued)

Financial instruments and contract assets (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 180 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Impairment (continued)

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(f) Revenue

Revenue recognition under AASB 15

Performance obligations and revenue recognition polices

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under AASB 15
Research and collaboration fees – recognised over time	Customer obtains control as the underlying research services are performed. This usually occurs when the underlying activities are undertaken by the Group over time. Where an agreement contains a right to access the Group's IP this is also recognised over time.	Revenue is recognised when the underlying expenses underpinning the delivery of services are incurred.

(g) Research and development expenditure

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognised in the income statement as an expense as incurred. Patent costs relating to research activities are expensed as incurred. Plant and equipment acquired to perform research activities are capitalised where the plant and equipment are not specific in nature to the Group's research activities and can be sold or leased to third parties. Plant and equipment specific to the research activities of the Group are expensed on acquisition.

Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. No costs were capitalised during the period. Other development expenditure is recognized in the profit and loss as incurred.

(h) Finance income and expenses

Finance income comprises interest income on term deposits. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

(i) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Income tax (continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences where the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

The Company and its Australian subsidiaries are part of a Tax Consolidated Group and subject to tax as a single entity. The US subsidiary is tax a single entity in the US.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(j) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position. Cash flows are included in the statements of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(k) Segment Reporting

The Group determines and presents operating segments based on the information that internally is provided to the Group's chief operating decision maker. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

The Group primarily operates in one sector, being the biotechnology industry, developing and/or commercialising biotechnology research. The majority of operations are in Australia. All assets are located in Australia.

(l) Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit under which the entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Short term benefits

Short-term employee benefit obligations are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Long term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Share based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do not meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(n) Leases

Policy applicable from 1 July 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in AASB 16.

This policy is applied to contracts entered into, on or after 1 July 2019.

(i) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of ‘rental income’.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from AASB 16.

Policy applicable before 1 July 2019

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(o) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2020, however the Group has not early applied the following new or amended standards in preparing these financial statements.

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendments to IFRS 3).
- Definition of Material (Amendments to IAS 1 and IAS 8).

The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

4. FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk.

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the oversight of risks. The Group maintains a control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from the Government and University in respect of research grants and accrued interest receivable from banks.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group prepares and monitors budgets to manage its liquidity for the short and long term.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The Board of Directors oversee market risk exposures to optimise returns.

Currency risk

The Group's currency risk is limited to trade and other receivables, payables and cash and cash equivalents that are denominated in a currency other than the functional currency of the Group entities, primarily US dollar, Euro and GBP. Given the minimal value of foreign currency transactions the Group does not enter into contracts to hedge currency risk. At 30 June 2020, there were receivables of $NIL and payables of $270,125 denominated in foreign currencies (2019 receivable: $NIL, payable: $309,943). At 30 June 2019 the Group had US $25,645 in the two group US dollar denominated bank accounts.

Interest rate risk

The Group's interest expense relates to the convertible notes detailed in note 15. Interest income is earned on term deposits and cash at bank, which are based on prevailing market rates.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

4. FINANCIAL RISK MANAGEMENT *(continued)*

Operational risk *(continued)*

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management of the Group. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Capital management

The Board's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. As the Group is a development stage business, the Board of Directors monitors the Group's performance with particular regard to the progress of scientific programs, the commercialisation of those programs, the development of the Group's intellectual property and asset base and long-term share price performance. There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

5. 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.

6. REVENUE

	Consolidated	
	2020	2019
	$	$
Government Grant – Other	88,364	88,364
Government – R&D Tax Incentive	1,905,621	2,136,058
Rental Income	409,172	409,434
Collaboration and Service fees	88,184	797,679
Government Grant – COVID - 19	77,000	-
	2,568,341	3,431,535

7. OTHER RESEARCH AND DEVELOPMENT EXPENDITURE

	Consolidated	
	2020	2019
	$	$
Other research and development expenditure	1,839,169	1,791,307
	1,839,169	1,791,307

8. OTHER EXPENSES

	Consolidated	
	2020	2019
	$	$
Administration and compliance costs	365,468	180,439
Other expenses	59,776	71,553
	425,244	251,992

9. FINANCE INCOME AND EXPENSE

	Consolidated	
	2020	2019
	$	$
Interest income on term deposit and cash at bank	2,551	10,478
Interest expense on convertible note issue	(180,779)	(17,178)
Foreign exchange gain/(loss)	41,238	29,829
Derivative instrument gain	45,519	-
Finance (expense)/income	(91,471)	23,129

10. INCOME TAX

(a) Income tax expense

	Consolidated	
	2020	**2019**
	$	**$**
Loss before tax	(3,625,762)	(2,895,532)
Income tax benefit using the domestic corporation tax rate of 27.5% (2019: 27.5%)	(997,085)	(796,271)
Increase/(decrease) in income tax expense due to:		
R & D adjustment	1,208,864	1,345,082
Non-assessable R&D tax incentive	(524,055)	(587,416)
Non-deductible share based payment	51,432	31,701
Other	14,076	17,912
Temporary differences and tax losses not brought to account	246,768	(11,008)
Adjustment to prior year tax	-	4,054
Income tax expense/(benefit) on pre-tax net profit	-	4,054

Income tax expense can arise due to the add-back of R&D expenses which is claimed under the R&D Tax Incentive Scheme. Tax losses are not fully available to offset against all taxable income arising as a result of the available fraction rules.

(b) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items

Temporary differences	612,789	707,747
Tax losses	9,207,399	8,865,673
Total	9,820,188	9,573,420

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of these items because it is not yet probable that future taxable profit will be available against which the group could utilize the benefits subject to passing the continuity of ownership and/or same business test. The Group has not yet assessed the impact of the planned Capital Raisings post year-end which may impact its ability to recover some or all of these losses in the future. Comparative amounts have been restated to reflect assessed balances.

11. CASH AND CASH EQUIVALENTS

	Consolidated	
	2020	2019
	$	$
Cash on hand	952	852
Cash at bank	1,356,695	1,949,717
	1,357,647	1,950,569

12. RECEIVABLES

	Consolidated	
	2020	2019
	$	$
Current		
Trade receivables	215,528	114,389
R&D Tax Incentive Receivable – ATO	1,907,568	2,129,622
Prepayments and other receivables	168,984	119,701
	2,292,080	2,363,712

The Group's exposure to credit and currency risks and impairment losses related to trade receivables is disclosed in Note 21.

13. PLANT AND EQUIPMENT

Consolidated	Plant and Equipment	Office Equipment	Total
Cost	**$**	**$**	**$**
Balance at 1 July 2019	3,424,934	19,737	3,444,671
Additions	-	1,738	1,738
Disposals	-	(1,805)	(1,805)
Balance at 30 June 2020	3,424,934	19,670	3,444,604
Balance at 1 July 2018	3,424,934	18,656	3,443,590
Additions	-	1,081	1,081
Disposals	-	-	-
Balance at 30 June 2019	3,424,934	19,737	3,444,671
Accumulated depreciation			
Balance at 1 July 2019	1,992,286	15,863	2,008,149
Depreciation for the year	159,771	2,588	162,359
Disposals	-	(1,490)	(1,490)
Balance at 30 June 2020	2,152,057	16,961	2,169,018
Balance at 1 July 2018	1,823,019	12,646	1,835,665
Depreciation for the year	169,267	3,217	172,484
Disposals	-	-	-
Balance at 30 June 2019	1,992,286	15,863	2,008,149
Carrying amounts			
At 1 July 2019	1,432,648	3,874	1,436,522
At 30 June 2020	1,272,877	2,709	1,275,586

The glasshouse facility forming part of plant and equipment which has a cost of $2,365,709 and accumulated depreciation of $1,252,351 has been wholly leased to a third party. Refer to Note 24.

14. TRADE AND OTHER PAYABLES

	Consolidated	
	2020	**2019**
Current	**$**	**$**
Trade payables	2,567,376	1,069,312
Other payables & accrued expenses	687,794	713,867
Rental income received in advance	97,967	103,735
Customer contract liability	-	88,184
	3,353,137	1,975,098

The majority of trade payables relate to La Trobe University. In September 2020 La Trobe University agreed that this debt of $1,522,492 would be reclassified as Long Term debt.

Exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 21.

15. LOANS AND BORROWINGS

	Consolidated	
	2020	2019
Current	$	$
Convertible Note	2,958,381	1,603,900
US Government Loan - Paycheck Protection Program	63,991	-
	3,022,372	1,603,900

Terms and Repayment Schedule

				30 June 2020		30 June 2019	
Type	**Currency**	**Interest rate**	**Year of Maturity**	**Face Value**	**Carrying Amount**	**Face Value**	**Carrying Amount**
Convertible Notes	AUD	6%	2021	3,003,900	2,958,381	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

	Consolidated	
	2020	2019
	$	$
Beginning balance	1,603,900	-
Proceeds from issue	1,400,000	1,603,900
Less: gain on the fair value movement of derivative liability	(45,519)	-
Carrying amount of Liability	2,958,381	1,603,900

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.

16. EMPLOYEE BENEFITS

	Consolidated	
	2020	2019
Current	$	$
Accrued salary and wages	15,000	130,201
Superannuation	7,551	17,557
Liability for annual leave	30,610	48,168
Liability for long service leave	116,918	157,518
	170,079	353,444

17. CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves

Consolidated and the Parent Entity

	Number of shares		Amount	
Ordinary Shares	**2020**	**2019**	**2020** $	**2019** $
On issue at 1 July	130,238,789	129,888,789	61,006,378	60,976,378
Issued via rights issue for cash	-	-	-	-
Issue of shares on exercise of options	-	350,000	-	30,000
Transfer of capital raising costs to share capital	-	-	-	-
On issue at 30 June – fully paid	130,238,789	130,238,789	61,006,378	61,006,378

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.

17. CAPITAL AND RESERVES *(continued)*

	Number of options		Amount	
Equity option reserve	**2020**	**2019**	**2020 $**	**2019 $**
On issue at 1 July	-	-	200,000	200,000
Issued	-	-	-	-
Lapse of share options	-	-	-	-
On issue at 30 June – fully paid	-	-	200,000	200,000

	Number of options		Amount	
Equity compensation reserve	**2020**	**2019**	**2020 $**	**2019 $**
On issue at 1 July	17,407,000	10,507,000	1,253,399	1,138,021
Issued as compensation	2,071,000	7,375,000	187,126	115,378
Exercise of share options	-	(350,000)	-	-
Lapse of share options	(1,873,000)	(125,000)	-	-
On issue at 30 June – fully paid	17,605,000	17,407,000	1,440,525	1,253,399

	2020 $	**2019 $**
Total reserves at 30 June	1,640,525	1,453,399

Equity Option Reserve

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

Equity Compensation Reserve

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

Earnings per Share

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

	2020	**2019**
Net loss	$3,625,762	$2,895,532
Basic EPS (cents per share)	**(2.78)**	**(2.22)**
Weighted average number of ordinary shares	130,238,789	130,238,789
Diluted EPS (cents per share)	**(2.76)**	**(2.21)**
Adjusted weighted average number of ordinary shares, represented by:	131,318,789	130,747,789
Weighted average number of ordinary shares	130,238,789	130,238,789
Plus:		
Employee and director share options	1,080,000	509,000

18. SHARE-BASED PAYMENTS

The terms and conditions of the grants for options outstanding at 30 June 2020 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 to key management on 11th December 2015	1,500,000	Immediate vesting	5 years
Options granted to key management on 11th December 2015	1,250,000	Vesting 11th December 2016	5 years
Options granted to key management on 12th February 2017	1,250,000	Vesting 31st December 2017	5 years
Options granted to key management on 12th February 2017	2,325,000	Vesting on earlier of 25% at the completion of each year post grant or on completion of deal meeting specified criteria	5 years
Options granted to other personnel on 1st January 2018	364,000	Vested 1st January 2018	5 years
Options granted to other personnel on 1st January 2018	145,000	Vesting upon successful completion of various milestones	5 years
Options granted to key management on 1st January 2018	1,125,000	Vesting 31st December 2018	5 years
Options granted to other personnel on 1st January 2018	100,000	Vesting on completion and delivery of deliverables on 30th June 2019	5 years
Options granted to other personnel on 15th February 2018	100,000	Vesting on completion and delivery of deliverables on 30th June 2019	5 years
Options granted to key management on 7th July 2018	125,000	Vesting 31st December 2019	5 years
Options granted to key management on 1st January 2019	1,250,000	Vesting 31st December 2019	5 years
Options granted to key management on 22nd February 2019	1,000,000	250,000 vesting on 31st December 2019 with the remainder vesting on completion and delivery of deliverables	5 years
Options granted to key management on 18th June 2019	5,000,000	Partially vesting on 1st April 2020 with remaining in monthly increments	10 years
Options granted to other personnel on 15th November 2019	571,000	Immediate vesting	5 years
Options granted to key management on 28th January 2020	1,500,000	Remain as a Director as at 31st December 2020	5 years
Total share options	**17,605,000**		

18. SHARE-BASED PAYMENTS *(continued)*

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	2020	**2020**	**2019**	**2019**
Outstanding at 1 July	$0.39	17,407,000	$0.30	10,507,000
Exercised during the period	-	-	$0.09	(350,000)
Lapsed during period	$0.49	(1,873,000)	$0.20	(125,000)
Granted during the period	$0.50	2,071,000	$0.49	7,375,000
Outstanding at 30 June	$0.39	17,605,000	$0.39	17,407,000

The options outstanding at 30 June 2020 have various exercise prices ($0.08, $0.20 and $0.50) and a weighted average remaining contractual life of 4.2 years.

Measurement of fair values

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.

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 FY20 were;

Non executive Directors; 1,500,000 options with Risk-free rate 0.71%, exercise price of $0.50, fair value at grant date $0.0367, expected volatility (annualised) 100.00%, expected life of 5 years, and an annualised dividend rate of 0%.

Management Personnel; 110,000 options with Risk-free rate 0.85%, exercise price of $0.50, fair value at grant date $0.0368, expected volatility (annualised) 100.00%, expected life of 5 years, and an annualised dividend rate of 0%.

18. SHARE-BASED PAYMENTS *(continued)*

Employee expenses

	Consolidated	
	2020	**2019**
Current	**$**	**$**
Share options expense	187,026	115,278
Total expense recognised as employee costs	187,026	115,278

19. NOTES TO THE STATEMENT OF CASHFLOW

19a. RECONCILIATION OF CASH

	Note	Consolidated	
Reconciliation of cash at the end of the period (as shown in the statement of cash flows) to the related items in the accounts is as follows:		**2020** **$**	**2019** **$**
Cash on hand and at bank	11	1,357,647	1,950,569

19b. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Consolidated	
	2020	**2019**
Cash flows from operating activities	**$**	**$**
Loss for the period	(3,625,762)	(2,895,532)
Adjustments for:		
Interest received and foreign exchange differences – classified as investing activity and movement in cash	(43,789)	(23,129)
Derivative instrument gain	(45,519)	-
Depreciation	162,359	172,484
Equity settled share based payment expense	187,126	115,278
Operating loss before changes to working capital	(3,365,585)	(2,630,899)
Decrease in trade and other receivables and prepayments	71,632	701,393
Increase in payables and employee benefits	1,194,889	290,433
Net cash used in operating activities	(2,099,064)	(1,639,073)

20. AUDITOR'S REMUNERATION

	Consolidated	
Audit Services	**2020**	**2019**
Auditors of the Company	$	$
KPMG Australia		
- Audit of the annual financial report	28,866	37,950
- Review of half year financial statements	19,362	13,100
	48,228	51,050

21. FINANCIAL INSTRUMENTS

Credit Risk

The carrying amount of the Group's financial assets represents the maximum credit exposure.
The Group's maximum exposure to credit risk at 30 June was:

		Consolidated	
	Note	**2020**	**2019**
		$	**$**
Trade and other receivables	12	215,528	114,389
R&D Tax Incentive – ATO	12	1,907,568	2,129,622
GST receivable – ATO		82,144	77,803
Cash on hand and at bank	11	1,357,647	1,950,569
		3,562,887	4,272,383

Cash on hand and at bank include deposits with the National Australia Bank.

Impairment Losses

The Group has receivables past due of $NIL (2019: $NIL) and no impairment losses have been recognised (2019: $NIL).

The Group is in the development phase of its research and development program. The Group's income is currently limited to interest on cash and term deposits, Australian government grants and rental income where income is received in advance. Accordingly, risk of impairment losses is minimal.

Liquidity Risk

The Group has trade and other payables and employee provisions with a carrying value of $3,523,216 (2019: $2,328,542) (notes 14 and 16), which are payable in cash and have a maturity of less than 6 months. Long Service leave current liability which is also included in Note 16, totals $116,918 (2019: $157,518). The Group also has convertible notes with a face value of $3,003,900 with accrued interest totalling $197,956 (2019: $1,603,900 and accrued interest $15,846) (note 15). The Group also has a US Government, Small Business Administration Payroll Protection Program loan totalling AUD $63,991. This is part of the US government Covid 19 program, part of which is expected to be forgiven.

There are currently NIL term deposits.

Currency risk

At 30 June 2020, there were no receivables of another currency, and payables of EUR 117,925 (2019: EUR 375), USD $472 (2019: USD $215,483) and SEK 25,000 (2019: NIL). Of the cash on hand at 30 June 2020, the Group held USD $25,645 (AUD $36,761) (2019: USD $574,801; AUD equivalent of $810,606) in a US dollar denominated account.

21. FINANCIAL INSTRUMENTS *(continued)*

Interest Risk

Exposure to interest rate risks arises in the normal course of the Group's business in respect of interest income on cash at bank (note 11). The weighted average interest rate in respect of interest income in 2019 was 0.85% (2018: 1.23%).

Fixed rate instruments

In respect of term deposits held during the year a 100 basis points increase in interest rates would have decreased the loss by $0 (2019: $2,167). A 100 basis points decrease in interest rates would have increased the loss by $0 (2019: $2,167).

Variable rate instruments

In respect of cash at bank a 100 basis points increase in interest rates would have decreased the loss by $15,918 (2019: $9,877). A 100 basis points decrease in interest rates would have increased the loss by $15,918 (2019: $9,877).

Estimation of fair values

The fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged, or liability settled in a current transaction between willing parties after allowing for transaction costs. The carrying value of financial assets and liabilities approximates their fair value at 30 June 2020.

Fair value hierarchy

No financial instruments are carried at fair value at 30 June 2020, however, as noted above the carrying amounts approximate fair value in respect of financial assets and liabilities.

22. CONTINGENCIES

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measure.

Guarantee and Indemnification

The Company has an Institutional Biosafety Committee (IBC) to advise on certain aspects of the Group's field trial applications. The Group 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 Group. The financial exposure from this arrangement is expected to be nil.

23. RELATED PARTIES

Directors

The following were key management personnel of the Group and the Company at any time during the reporting period and unless otherwise indicated were Directors for the entire period:

Non-Executive Chairman
Professor Jonathan West

Executive Directors
Professor Marilyn Anderson, Chief Science Officer
Dr. Nicole van der Weerden, Chief Executive Officer
Mr Michael Aldridge – Chief Business Officer

Non-Executive Directors
Dr. John Bedbrook
Mr GF Dan O'Brien
Mr Justin Yap
Mr Scott Robertson
Mr Steven Skala AO (alternate director appointed 10^{th} March 2020)

Executives
Ms Elisha Larkin, Company Secretary (resigned 21st November 2019)

Ms Helen Molloy, Company Secretary (appointed sole Company Secretary 21st November 2019)

The key management personnel compensation included in 'employee benefits expense' is as follows:

	Consolidated	
	2020	**2019**
	$	**$**
Short term employee benefits	682,936	295,136
Post employment benefits	63,104	24,767
Share based payments	169,075	109,310
Other leave benefits	41,523	63,776
	956,638	492,989

Individual Directors and Executive compensation disclosures

The fixed remuneration and superannuation that La Trobe university pay to Dr van der Weerden and Professor Anderson is not included in this note.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Group and the Company since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end.

23. RELATED PARTIES *(continued)*

Options and rights over equity instruments

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:

Key Management Personnel 2020	Held at 1 July 2019	Exercised	Lapsed	Granted as compensation	Net movement other	Held at 30 June 2020	Vested and exercisable at reporting date
J West	2,500,000	-	-	500,000	-	3,000,000	2,500,000
M Anderson	750,000	-	(500,000)	-	-	250,000	125,000
N van der Weerden	2,000,000	-	(500,000)	-	-	1,500,000	1,250,000
E Larkin**	140,000	-	(65,000)	50,000	(125,000)	-	-
J Bedbrook	2,450,000	-	(200,000)	250,000	-	2,500,000	1,250,000
GF O'Brien	1,000,000	-	-	250,000	-	1,250,000	1,000,000
J Yap	375,000	-	-	250,000	-	625,000	375,000
S Robertson	1,100,000	-	-	250,000	-	1,350,000	350,000
M Aldridge	5,000,000	-	-	-	-	5,000,000	1,250,000
S Skala****	-	-	-	-	250,000	250,000	250,000
H Molloy*	-	-	(16,000)	60,000	31,000	75,000	75,000
	15,315,000	-	(1,281,000)	1,610,000	156,000	15,800,000	8,425,000

Key Management Personnel 2019	Held at 1 July 2018	Exercised	Lapsed	Granted as Compensation	Net movement other	Held at 30 June 2019	Vested and exercisable at reporting date
J West	2,000,000	-	-	500,000	-	2,500,000	2,000,000
M Anderson	1,000,000	(250,000)	-	-	-	750,000	500,000
N van der Weerden	2,000,000	-	-	-	-	2,000,000	1,500,000
E Larkin	140,000	-	-	-	-	140,000	90,000
J Bedbrook	2,200,000	-	-	250,000	-	2,450,000	1,200,000
G Black***	750,000	-	(125,000)	-	(625,000)	-	-
GF O'Brien	750,000	-	-	250,000	-	1,000,000	750,000
J Yap	-	-	-	375,000	-	375,000	125,000
S Robertson *	-	-	-	1,000,000	100,000	1,100,000	100,000
M Aldridge *	-	-	-	5,000,000	-	5,000,000	-
	8,940,000	(250,000)	(125,000)	7,375,000	(525,000)	15,315,000	6,265,000

*Scott Robertson was appointed a Director on 21 November 2018, and Michael Aldridge appointed on 21 May 2019. Helen Molloy was appointed Company Secretary on 21 November 2020.
**Elisha Larkin departed the Company on 21 November 2019.
***G. Black departed the Company on 17 July 2018.
****Steven Skala was appointed as Alternate Director on 10 March 2020.

23. 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 personnel, including their related parties, is as follows:

2020	Held at 1 July 2019	Net movement other	Purchases	Received on exercise of options	Sales	Held at 30 June 2020
Key Management Personnel						
Jonathan West	4,000,000	-	-	-	-	4,000,000
Nicole van der Weerden	214,400	-	-	-	-	214,400
Elisha Larkin**	115,142	(115,142)	-	-	-	-
Marilyn Anderson	4,061,096	-	-	-	-	4,061,096
GF Dan O'Brien	15,035,894	-	-	-	-	15,035,894
John Bedbrook	500,000	-	-	-	-	500,000
Gordon Black	-	-	-	-	-	-
Justin Yap	-	-	-	-	-	-
Scott Robertson*	-	-	-	-	-	-
Michael Aldridge*	-	-	-	-	-	-
Steven Skala****	-	6,667,947	-	-	-	6,667,947
Helen Molloy*	-	32,000	-	-	-	32,000
	23,926,532	6,584,805	-	-	-	30,511,337

2019	Held at 1 July 2018	Net movement other	Purchases	Received on exercise of options	Sales	Held at 30 June 2019
Key Management Personnel						
Jonathan West	4,000,000	-	-	-	-	4,000,000
Nicole van der Weerden	214,400	-	-	-	-	214,400
Elisha Larkin	115,142	-	-	-	-	115,142
Marilyn Anderson	3,811,096	-	-	250,000	-	4,061,096
GF Dan O'Brien	15,035,894	-	-	-	-	15,035,894
John Bedbrook	500,000	-	-	-	-	500,000
Gordon Black***	-	-	-	-	-	-
Justin Yap	-	-	-	-	-	-
Scott Robertson*	-	-	-	-	-	-
Michael Aldridge*	-	-	-	-	-	-
	23,676,532	-	-	250,000	-	23,926,532

Dato Lim Sen Yap, a major shareholder (10.86% shareholding as of 30 June 2020), became a related party on the 17th July 2018 when his son Justin Yap became a director of the Company.

*Scott Robertson was appointed a Director on 21 November 2018, and Michael Aldridge appointed on 21 May 2019. Helen Molloy was appointed Company Secretary on 21 November 2020.
**Elisha Larkin departed the Company on 21 November 2019.
***G. Black departed the Company on 17 July 2018.
****Steven Skala was appointed as Alternate Director on 10 March 2020.

23. RELATED PARTIES *(continued)*

Key management personnel and directors' transactions

Professor Anderson and Dr van der Weerden are employees of La Trobe University. During the course of the financial year ended 30 June 2020, amounts (including GST) totalling $3,825,043 (2019: $3,133,808) were paid or payable by Hexima to La Trobe University for research work carried out on behalf of the Group. These transactions were conducted on normal commercial terms. Trade accounts and/or accruals payable to La Trobe University at 30 June 2020 were $2,419,228 (exclusive of GST) (2019: $1,252,171).

24. OPERATING LEASES

Leases as lessor

Lease rentals are receivable as follows:

	2020	2019
	$	$
Less than one year	391,868	300,000
Between one and five years	685,832	-
	1,077,700	300,000

25. GROUP ENTITIES

	Country of incorporation	Ownership Interest	
Parent Entity		**2020**	**2019**
Hexima Limited	Australia		
Significant subsidiaries			
Hexima Holdings Limited	Australia	100%	100%
Pharmagra Pty Ltd	Australia	100%	100%
Hexima Operations USA, Inc	USA	100%	100%

Pharmagra Pty Ltd is incorporated in Australia and is a 100% owned subsidiary of the Company. Pharmagra Pty Ltd has total assets and net assets of $2.00 at 30 June 2020.

Hexima Holdings Pty Ltd is incorporated in Australia and is a 100% owned subsidiary of the Company. Hexima Holdings Pty Ltd has total assets of $1,113,358 at 30 June 2020, which comprises the Hexima glasshouse located at La Trobe University.

Hexima Operation USA, Inc was incorporated in the USA on 23 May 2019 and has a net asset of $61,887 as at 30 June 2020.

26. PARENT ENTITY DISCLOSURES

	Company	
	2020	2019
	$	$
Result of the Parent Entity		
Loss for the period	(3,817,835)	(2,765,331)
Other Comprehensive income	-	-
Total Comprehensive loss for the period	(3,817,835)	(2,765,331)
Financial Position of the Parent entity at year end		
Current assets	3,595,983	4,314,245
Total assets	4,871,569	5,750,803
Current liabilities	6,553,716	3,802,242
Total liabilities	6,553,716	3,802,242
Total equity of the Parent entity comprising of:		
Share capital	61,006,378	61,586,496
Reserves	1,640,525	873,280
(Accumulated losses)	(64,329,050)	(60,511,215)
Total Equity	(1,682,147)	1,948,561

Parent entity contingent liabilities

Refer to note 22.

27. SUBSEQUENT EVENTS

Subsequent to year end, the Group will complete a Placement of $5.5million during September 2020. The placement will trigger the conversion of the convertible notes on issue. A Public Offering is planned for November 2020 where the capital raise is expected to be $3million.

Other than the matters noted above, there have been no events subsequent to balance date which would have a material effect on the Group's financial statements as at 30 June 2020.

DIRECTORS' DECLARATION

1) In the opinion of the Directors of Hexima Limited (“the Company”):
   a) The consolidated financial statements and notes that are set out on pages 22 to 54, are in accordance with the Corporations Act 2001, including:
      i) giving a true and fair view of the Group’s financial position as at 30 June 2020 and of its performance for the financial year ended on that date;
      ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
   b) There are reasonable grounds to believe that the Company will be able pay its debts as and when they become due and payable.
2) The Directors draw attention to Note 2(a) to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Dated at Melbourne this 30th day of September 2020.

Professor Jonathan West	Dr Nicole van der Weerden
Non-Executive Chairman	Executive Director and Chief Executive Officer

Independent Auditor's Report

To the shareholders of Hexima Limited

Opinion

We have audited the ***Financial Report*** of Hexima Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- *Consolidated statement of financial position* as at 30 June 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 year then ended
- Notes including a summary of significant accounting policies
- *Directors' Declaration.*

The ***Group*** consists of Hexima Limited (the Company) and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with *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 Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 2(f), "Going Concern" in the Financial Report. The conditions disclosed in Note 2(f), 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 Financial Report. Our opinion is not modified in respect of this matter.

Other Information

Other Information is financial and non-financial information in Hexima Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

• preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*

• implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error

• assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

• to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and

• to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our Auditor’s Report.

KPMG

Adrian Nathanielsz

Partner

Melbourne

30 September 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 audit of Hexima Limited for the financial year ended 30 June 2020 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Adrian Nathanielsz

Partner

Melbourne

30 September 2020