



Hexima Limited

# Annual Report

For the year ended 30 June 2021



hexima



### About Hexima

Hexima (ASX:HXL) is a clinical stage, anti-infectives focused biotechnology company engaged in the research and development of defensin peptides for applications as human therapeutics. Our lead product candidate, pezadeftide (formerly HXP124) applied in a topical formulation, is a potential new prescription treatment for toenail fungal infections (or onychomycosis). Hexima is currently conducting an Australian phase IIb clinical trial testing pezadeftide for the treatment of onychomycosis. Hexima holds granted, long-life patents protecting pezadeftide in major markets globally.



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# Operational Highlights

## Equity capital raising and ASX-listing

During FY2021, Hexima raised a total of \$8.5 million before costs in a private placement (\$5.5 million) and public offering (\$3.0 million). On 1 December 2020 Hexima's shares commenced trading on ASX under the ticker code "HXL". Hexima finished the financial year well-capitalized with \$7.4 million in cash and short-term receivables.

## Completion of enrolment into phase IIb study

Hexima's phase IIb clinical trial of pezadeftide (formerly HXP124) for onychomycosis progressed according to plan in 2021 and in July 2021 Hexima was pleased to report the completion of patient enrolment into the study. This is an important achievement in pezadeftide's development program. All patients are in treatment and follow-up and Hexima expects to report the results of the study in Q2 2022.

## Completion of manufacturing scale-up

Hexima completed multiple large-scale manufacturing batches with its European contract manufacturer to produce pezadeftide for toxicology studies. In this scale-up process, Hexima has resolved important challenges in manufacturing pezadeftide at scale and can now point confidently to both commercial-scale and low-cost manufacturing of pezadeftide.

## Key patents granted

Hexima continued to strengthen its intellectual property position during FY2021. As at August 2021, Hexima has obtained granted patents covering the use of pezadeftide to treat onychomycosis in all major markets including the United States, Japan, Europe, China, Singapore, Mexico and Australia.

## INN designation

The International Nonproprietary Names (INN) Programme and Classification of Medical Products of the World Health Organization (WHO) has selected "pezadeftide" as the non-proprietary name for Hexima's HXP124. The suffix "-deftide", representing defensin-derived anti-microbial peptides, establishes pezadeftide as the first in a new class of anti-fungal molecules. The designation of pezadeftide as the first in a new class of anti-microbial peptides highlights the important role that Hexima is playing in developing novel, powerful and broad-spectrum fungicidal molecules as potentially valuable tools in the ever-escalating battle with constantly evolving fungal pathogens.

## Formation of Scientific Advisory Board

Hexima has recruited a group of expert clinical opinion leaders to a Scientific Advisory Board (SAB) which held its first meeting in February 2021. The SAB members are internationally recognised Dermatologists and Podiatrists based in US, Australia and Japan. They include the lead clinicians from advanced clinical trials conducted for multiple successful therapeutic products developed to treat onychomycosis in international markets. In its inaugural meeting, the SAB discussed the scientific and early clinical data supporting the unique activity of pezadeftide.

“Hexima achieved several major milestones in FY2021 and was pleased to report the completion of patient enrolment into its phase IIb clinical trial in July 2021.”

# Message from the Chairman and Chief Executive Officer

Dear Shareholder,

On behalf of the Board of Directors we are pleased to present Hexima's annual report for the 2021 financial year.

With our capital raising and listing on ASX almost a year behind us, we are very pleased to share with you the extraordinary progress achieved over the last year, anchoring the Company's plans for future development.

As stated upon our listing, Hexima is developing pezadeftide (which we previously referred to as HXP124) as a new topical prescription therapy for the treatment of onychomycosis (or fungal nail infection).

Onychomycosis is both a very common disease and has a significant unmet medical need. While common in the general population, in settings such as elderly care facilities the prevalence of this difficult to treat infection can be 50% or higher. Fungal nail infection is typically progressive, gradually invading the nail bed and resulting in discolored and disfigured nails, which are often painful and result in discomfort and emotional distress.

Currently the market for treatment options for onychomycosis remains poorly served, and available treatments have some significant shortcomings. Patients are often reluctant to use oral therapies because of the risk of serious side effects and the topical alternatives prescribe a long course of daily treatment for 12 months. Only a small minority of treated patients actually clear their infected nails.

In our conversations with doctors, and particularly podiatrists, we are constantly struck with the repeated refrain: "...we see this infectious disease all the time, and we have no attractive treatment options".

In spite of the weakness of existing therapies, the market for treatments is large, estimated to be more than US\$3.7 billion per year, as sufferers search for solutions.

Hexima's goal continues to be the development of pezadeftide as a safe and effective topical therapy with a patient-friendly, and convenient course of therapy. Our completed phase I/IIa trial delivered early but powerful evidence of this. Pezadeftide appears to deliver on each of the key characteristics that our market research indicates is critical for a new and successful treatment for onychomycosis: safety, efficacy and patient convenience.

In this large and underserved market, Hexima expects pezadeftide to represent the preferred treatment option for clinicians and patients alike.

It is a hugely valuable and increasingly tangible goal. Despite the challenges of the current environment, we are very pleased with the progress made in our clinical and product development activities over the course of the period.

## Clinical and regulatory progress

FY21 saw the Company continue to make significant progress in our clinical, manufacturing and intellectual property development activities.

Funding from our capital raising and listing on ASX in late 2020 provided the necessary resources to conduct our phase IIb clinical trial. This large multi-centre trial is designed to answer an important question: identify the course of therapy which maximises the efficacy of pezadeftide while retaining the important features of a convenient, short-course treatment in a topical format which is so important in this consumer driven market. As of writing, the clinical trial is fully enrolled and patients are in the treatment and follow-up phase. We are on track to announce the results of this trial in Q2 2022.

Hexima also continues to progress towards commercial scale for its sophisticated biotechnology manufacturing system used to make pezadeftide. The scale up of this system and delivery of pezadeftide according to rigorous quality standards was an important, challenging and successfully met milestone that lays the foundation for our phase III clinical trial program.

The Company's intellectual property portfolio is a cornerstone of securing the value created in the pezadeftide product development program. Throughout FY21 Hexima was pleased to add Europe and Mexico patent protection to our already granted US and Japanese patents. A patent was also granted in China shortly after year end.

It should be noted that because the pezadeftide molecule is a biologic, we expect to enjoy regulated market exclusivity over and above formal patent protection for 12 years post product approval in the US (our largest potential market). Leading into FY22 Hexima will look to pursue other patents protecting pezadeftide in major markets.

FY21 activities undertaken by the Company also saw the formation of our international Scientific Advisory Board (SAB) to assist the Company's understanding of our market opportunity and moulding our product development efforts to ensure we address most effectively the market need. Our SAB comprises opinion leading dermatologists and podiatrists from the US, Australia and Japan. We have plans to augment this with European expertise over time.

Additionally, Hexima continues to prioritise engagement with clinicians on the front line of treating onychomycosis to further inform our clinical development and increase sector awareness of pezadeftide. To support this function, FY21 saw the beginnings of our engagement with the broader US podiatric community. We presented pezadeftide at the American Podiatric Medical Association annual scientific conference in Denver, Colorado.

Our informal interactions with podiatrists at the APMA conference was a refreshing affirmation that our goals in developing pezadeftide neatly align with the needs of this critical specialist group and their patients.

# Message from the Chairman and Chief Executive Officer (continued)

## Outlook for FY22

Looking ahead Hexima's primary strategic goal is to continue the development of pezadeftide as a new and valuable prescription topical therapy for onychomycosis in major markets globally. Important elements of that strategy include:

- Retain US product rights and develop a prescription product optimised to address the unmet medical need of patients and clinicians in the US market.
- Deliver results from the ongoing phase IIb clinical trial and define the optimal dosing strategy for pezadeftide.
- Establish a license and development collaboration with a leading Japanese pharmaceutical company for development of pezadeftide in the Japan market. Japan is both a large market for therapies for onychomycosis and also requires a degree of independent, Japan-market specific development.
- Secure financing on attractive terms to support the initiation of our phase III clinical trial program in the US. The upfront and milestone payments of a Japan market licence and development collaboration may represent a significant component of our financing plans.
- Explore the potential of pezadeftide and its related anti-fungal defensin molecules for which we have patent protection to represent a valuable follow-on product for other localised fungal infections where there exists an unmet medical need;

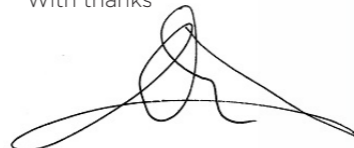
And while we have made important and valuable progress on each of these strategic initiatives during the course of this year, we expect further developments in these areas concurrent to the completion of pezadeftide's phase II clinical trial program.

Looking further out, we are making plans to move this valuable asset forward into its final phase III program in the US, and ensuring that we have all of the key aspects of the product presentation ready to test in that trial program; our final step before seeking approval to launch and market pezadeftide.

As we continue on this journey on behalf of the Board and management I wish to thank our shareholders for their continued support of Hexima's aspiration to improving the lives of patients suffering from onychomycosis.

The Company looks forward to updating shareholders as we continue to progress forward throughout FY22.

With thanks



**Jonathan West**

Non-executive Chairman



**Michael Aldridge**

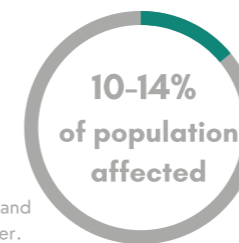
Managing Director and Chief Executive Officer

“Hexima's primary strategic goal is to continue the development of pezadeftide as a new and valuable prescription topical therapy for onychomycosis in major markets globally.”

# Company Overview

## About Onychomycosis

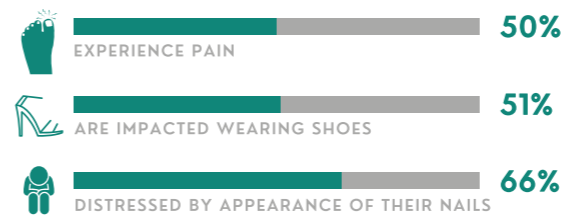
Onychomycosis (fungal nail infection) is a common fungal infection of the nail plate and nail bed. Prevalence of onychomycosis has been estimated at between 10% (Japan) and 13.8% (USA).<sup>i</sup> Onychomycosis is an infectious disease and is difficult to treat. It has a significant healthcare burden, causing pain in approximately 50% of patients and in the US onychomycosis results in close to four doctor's visits annually for treatment.<sup>ii</sup> Onychomycosis impacts a patient's quality of life with 51% unable to wear the shoes they would prefer and 66% distressed by the appearance of their nail.<sup>iii</sup> It is important to treat onychomycosis as it is an infectious disease; the fungi in the nail can be a source of secondary infection in other areas of the body or infect family members and spread to the environment.



Onychomycosis is estimated to affect 10-14% of the population and is the most common nail disorder.

Onychomycosis is responsible for an average of 4 doctors visits annually by patients seeking treatment.

**4 p.a.**



Onychomycosis is the most common nail disorder accounting for 50% of all nail diseases. It is particularly prevalent in older, diabetic and immune compromised populations.<sup>v</sup> The global market for treatments for onychomycosis was approximately US\$3.7 billion in 2018.<sup>iv</sup>

**\$3.7b**

The global market for treatments for onychomycosis was approximately US\$3.7 billion in 2018.

## Treatment of Onychomycosis

Approved prescription therapies for onychomycosis comprise either oral or topical medications. Oral medications are associated with adverse effects such as nausea, taste disturbance, and flatulence. They can also severely impact liver function and so often require liver function monitoring. The clinical and commercial success of topical medications has been constrained by an inability of anti-fungal agents to effectively penetrate the human nail and the lack of sufficient anti-fungal activity when in contact with the target pathogen.<sup>v</sup>

## Hexima's Approach

Hexima embraces the significant challenge of new product development for onychomycosis. Hexima has taken a very different approach, building on its many years of ground-breaking research into the evolutionary tools that plants use naturally to fight fungal infections. The result is pezadeftide, a new topical treatment for onychomycosis, with a novel and powerful fungicidal mode of action.

Historically, therapies for onychomycosis have generally focused on new forms of primarily the azole class of antifungal agents or improving the topical delivery of systemic antifungal agents. Hexima's technology is a completely novel approach with fundamental differences that address the well-documented limitations of these traditional technologies.

Pezadeftide penetrates the nail more effectively than existing topical treatments and so can more readily target the fungal cells which proliferate in the nail bed. It is also more effective at rapidly killing fungal cells on contact. Together, these properties mean that pezadeftide has the potential to resolve the fungal infection more quickly, leading to faster and more complete clearing of the infected nail area. Consequently, pezadeftide offers the promise to capture significant value in a large and poorly served market.

<sup>i</sup> Tatchibana et al., Journal of Fungi, 2017

<sup>ii</sup> Joseph et al, Supplement to Podiatry Today, 2013

<sup>iii</sup> Milobratovic et al., Mycoses, 2013

<sup>iv</sup> Persistence Market Research 2018

<sup>v</sup> Wang et al., Onychomycosis: Diagnosis and Effective Management, 2018



# Company Overview

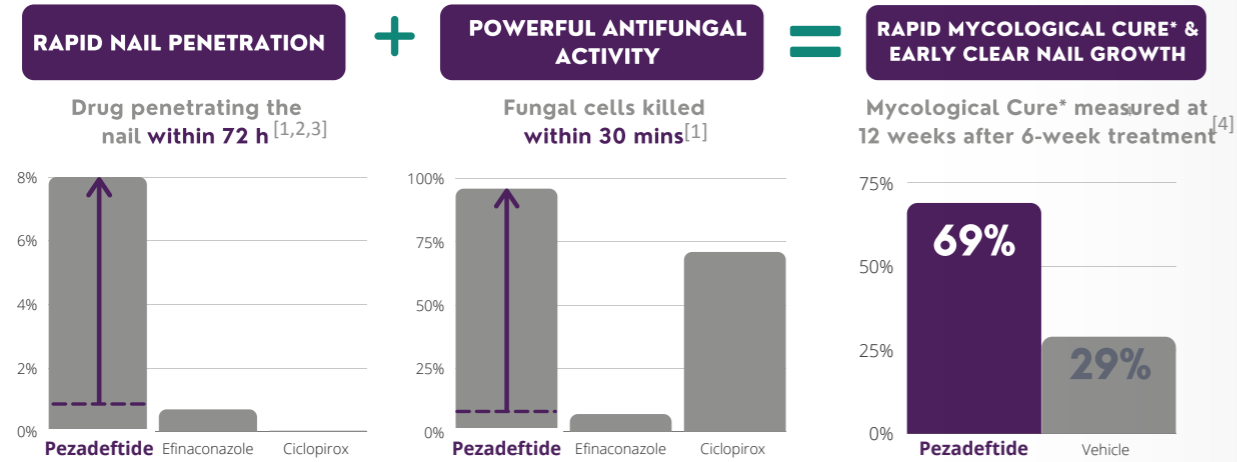
## Pezadeftide as a Potential Treatment for Onychomycosis

Hexima believes pezadeftide addresses the important short comings of available treatments for onychomycosis. It is a broad spectrum and powerful antifungal agent which penetrates nails very rapidly when applied topically. It is safe and well tolerated and in a 6-week phase I/IIa clinical trial demonstrated:

- **Short course of therapy**, pezadeftide appears active following just 6-weeks of daily therapy
- **Better efficacy**, clearing fungus from the nail two-times more effectively than current best-in-class (more than oral and topical) products at the same time point
- **Fast acting**, dramatically improving the appearance of the infected nail in less than 12 weeks

- **Safe and well tolerated**, with no treatment area irritation or treatment-related adverse events
- **Locally acting**, pezadeftide effectively penetrates nails but is not detected in the blood stream and has not presented any systemic toxicity

This is a consumer driven market and based on our market research, there is a well-defined and under-served demand from consumers (clinicians and their patients) who are looking for such features in their treatment.



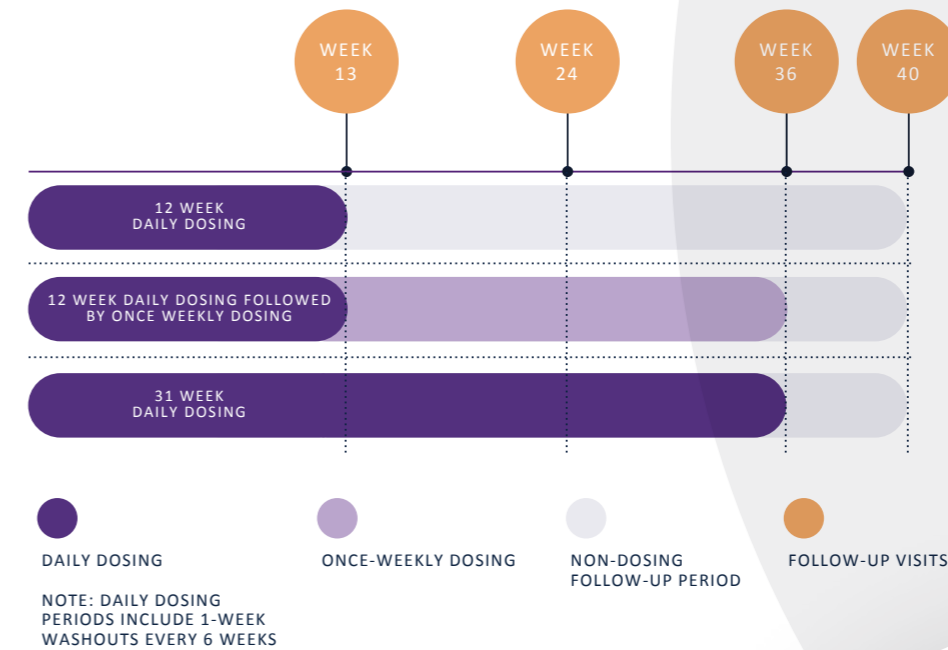
1. Internal Hexima research; 2. Kaken Pharma and Dow Pharma, Sugiura et al., 2014; 3. UCSF Medical Center, Hui et al., 2006; 4. HXP124 PI/IIa clinical trial, HXP124-ONY-001 (ACTRN12618000131257);



# Company Overview

## Phase IIb Clinical Trial (HXP124-ONY-002)

Hexima is conducting a phase IIb clinical trial at 15 sites in Australia and New Zealand. The trial has enrolled 117 patients with onychomycosis and seeks to identify the optimal course of therapy for pezadeftide. This study is comparing 12 weeks versus 31 weeks of daily therapy as well as 12 weeks of daily therapy followed by once weekly therapy out to 36 weeks. Patients are randomly assigned to one of the three treatment arms. The patients receiving treatment with pezadeftide (active) are being compared to patients being treated with a formulation not containing pezadeftide (vehicle) at a ratio of 3:1. The identity of active versus vehicle treatments is blinded to both patient and clinician.



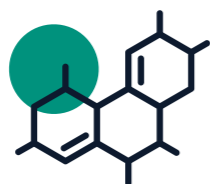
The results of this clinical trial are intended to identify the optimum dosing regimen to take into Hexima's US phase III clinical trial program. Hexima expects this phase IIb clinical trial (HXP124-ONY-002; ANZCTR registration number ACTRN12620000697987) to represent its last large, multi-centre clinical trial ahead of initiating its phase III program.

“ Our goal is to demonstrate the potential of pezadeftide to be a safe and effective treatment in a convenient, consumer friendly, topical format for this very common and difficult to treat infectious disease. ”

Hexima Limited

# FINANCIAL REPORT

For the year ended 30 June 2021



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### Corporate Governance Statement

The Corporate Governance Statement is current at 30 June 2021 and can be found on the Company's website:

[https://hexima.com.au/wp-content/uploads/2021/08/Corporate-Governance-Statement\\_v2.pdf](https://hexima.com.au/wp-content/uploads/2021/08/Corporate-Governance-Statement_v2.pdf)

The Corporate Governance statement was approved by the Board of Directors 26 August 2021.

# 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 2021 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 and Nomination Committee and Chairman of the Audit and Risk Management Committee.



**Michael Aldridge**  
BSc (Hons) (University of Canterbury), M.A. Applied Finance (Macquarie University)  
**Managing Director and Chief Executive Officer**

Mr Aldridge most recently served as Senior Vice President, Corporate & Strategic Development, 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 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 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 at 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 was Chief Business Officer between May 2019 and September 2020 and was appointed Chief Executive Officer in September 2020. Mr Aldridge has been a Director of the Company since 21 May 2019.



**Dr. Nicole van der Weerden**  
BSc, PhD (La Trobe University)  
**Executive Director, Chief Operating 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 and has led the gene discovery program for the Pioneer partnership on control of fungal diseases in corn. She led the Hexima team that identified the clinical opportunities for plant antifungal molecules and discovered and developed pezadeftide (formerly HXP124) for treatment of onychomycosis. Dr. van der Weerden is an inventor on nine patent applications.

Dr. van der Weerden completed a Master of Business Administration in 2013 at Melbourne Business School and is a graduate of the Australian Institute of Company Directors. She was Hexima's Chief Executive Officer from December 2015 until September 2020, taking on the Chief Operating Officer role from September 2020.

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 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 molecular biology at Cold Spring Harbor Laboratory NY. She is an expert on antifungal and insecticidal molecules produced by plants. She is a fellow of the Australian Academy of Science, the Australian Academy of Technology and Engineering and the Australian Institute of Company Directors.

She is a Professor of Biochemistry at La Trobe University, and a member of the Australian Academy of Science Council. She was appointed an Officer of the Order of Australia in 2016 for distinguished service to science and higher education. She was a member of the La Trobe Council until 2017. Professor Anderson was appointed Hexima's Chief Science Officer in July 2009.

She has been a Director of the Company since 23 November 2010.



# Directors' Report (continued)



**Justin Yap**  
BCom (University of New South Wales)  
**Non-Executive Director**

Mr Yap is a Non-Executive Director of CathRx Limited, an Australian medical device company commercialising cardiac electrophysiology catheters for the treatment of heart rhythm disorders. He is a 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.

Mr Yap has been a Director since 17th July 2018, and is a member of the Remuneration and Nomination Committee and the Audit and Risk Management Committee.



**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 Management Committee and Chairman of the Remuneration and Nomination 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 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.

**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.

Mr 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.

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

**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.

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



# Directors' Report (continued)

## Key Management

**Ms Helen Molloy**  
Company Secretary

Helen Molloy holds a Bachelor of Business from Federation University and is a member of the Australian Society of Certified Practising Accountants. Helen has previously worked as a financial accountant within the treasury department of the Mayne Group, as well as with Orica Chemicals and Incitec Pivot Limited. Helen has been the Financial Controller for Hexima for 11 years and was appointed sole company secretary for the Group in November 2019.

**Dr Peter Welburn**  
Chief Development Officer

Dr Welburn is the Managing Director of Eiger Health Consulting Group, which he established in July 2014. From 2011 to 2014 Dr Welburn served as the General Manager of LEO Pharma Australia & New Zealand following the acquisition of Peplin Inc. by LEO Pharma AS, a global dermatology company. Prior to that, from 2001 to 2011 Dr Welburn held a number of positions at Peplin Inc where he led the R&D team that conducted the development of Picato, a novel topical therapy, globally approved for the treatment of pre-cancerous skin lesions. Dr Welburn has also held both R&D and Strategic Marketing positions at a number of global pharmaceutical companies, SmithKline Beecham International (1991 - 2001), Janssen-Cilag (1984 - 1990) and Ethnor Pty Ltd (a division of J & J) from 1979 - 1984.

Dr Welburn was educated in the UK and received a BSc (Hons) degree in Pharmacology from the University of Edinburgh, a master's degree in Pharmacology from the University of Sydney and a PhD from the University of Cardiff. Dr Welburn is an author on numerous scientific publications and most recently was invited to contribute a chapter on Picato for the book "To Heal the Skin". Dr Welburn is also an invited lecturer for the Bioscience Enterprise programme at the University of Auckland.

Dr Welburn has been a consultant for the company since 30 April 2019 and was appointed Chief Development Officer on 1 October 2020.

## 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 AND NOMINATION COMMITTEE	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
Jonathan West	12	12	2	2	1	1
Marilyn Anderson <sup>(2)</sup>	12	12	2	1	1	-
John Bedbrook	5	4	1	-	-	-
Nicole van der Weerden <sup>(2)</sup>	12	12	2	2	1	1
Dan O'Brien <sup>(2)</sup>	5	5	1	1	-	-
Scott Robertson	12	10	2	2	1	1
Justin Yap	12	12	2	2	1	1
Michael Aldridge <sup>(2)</sup>	12	11	2	1	1	1
Steven Skala <sup>(1)</sup>	12	11	2	1	1	-

(1) Attended as Alternate Director but did not vote. Attends to remain informed.

(2) Attended by invitation

# Directors' Report (continued)

## PRINCIPAL ACTIVITIES

The principal activity of the Group during the financial year was the research and development of plant-derived proteins and peptides for applications as human therapeutics. Hexima's lead drug candidate is the plant defensin, pezadeftide (formerly HXP124), which is being developed for treatment of fungal nail infections (onychomycosis). Hexima's principal activities in FY2021 included the conduct of Hexima's phase IIb clinical trial at sites in Australia and New Zealand and the transfer of our manufacturing to a commercial-scale Contract Manufacturing Organisation (CMO) in Europe.

There were no significant changes in the nature of the activities of the Group during the year.

Nail fungus (onychomycosis) is a very common nail infection, affecting approximately 14% of 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 significant limitations including modest efficacy rates, long treatment durations or the potential for toxic side effects, some of which may be severe.

Pezadeftide is an easy to apply topical solution that penetrates the nail more effectively than existing topical treatments and so can more readily target the fungal cells which proliferate in the nail bed. It is also more effective at rapidly killing fungal cells on contact. Together, these properties mean that pezadeftide has the potential to resolve the fungal nail infection more quickly, leading to faster and more complete clearing of the infected nail area. Consequently, pezadeftide offers the promise to capture significant value in a large and poorly served market.

## OPERATING AND FINANCIAL REVIEW OF THE GROUP

### Financial performance

	2021	2020
	\$	\$
Revenue and other income	4,163,529	2,568,341
Results from operating activities	(6,825,639)	(3,534,291)
Net financing (expense)/income	(48,007)	(91,471)
Income tax expense	-	-
Net loss after tax attributable to members	(6,873,646)	(3,625,762)
Dividends	NIL	NIL

### Review of operations

During the period under review, Hexima substantially progressed development of its lead program, pezadeftide, as a topical treatment for nail fungus (onychomycosis).

#### Phase IIb clinical trial

Hexima continued a phase IIb clinical trial across 15 sites in Australia and New Zealand to assess the safety and efficacy of pezadeftide in patients with mild to moderate onychomycosis. This study is seeking to identify the optimal course of therapy for pezadeftide and is comparing three treatment arms: 12 weeks versus 31 weeks of daily therapy, as well as 12 weeks of daily therapy followed by once a week therapy out to 36 weeks. The patients receiving treatment with pezadeftide are being compared to patients treated with a formulation not containing pezadeftide at a ratio of 3:1. Details of the trial can be found on the Australia and New Zealand Clinical Trial Register (ACTRN12620000697987).

We announced the completion of patient enrolment in July 2021. Hexima expects the results of this trial to be available in Q2 2022. The results of this clinical trial are intended to identify the optimum dosing regimen to take into Hexima's US phase III clinical trial program. Hexima expects this phase IIb clinical trial to represent its last large, multi-centre clinical trial ahead of initiating its phase III program.

#### Manufacture scale-up

During the period under review, Hexima commenced transfer of its pezadeftide manufacturing to a world-class, commercial-scale CMO in Europe. Hexima completed multiple large-scale manufacturing batches to produce pezadeftide for toxicology studies. In this scale-up process Hexima has resolved important challenges in manufacturing pezadeftide at scale and can now point confidently to both commercial-scale and low-cost manufacturing of pezadeftide.

#### Key patents granted

Hexima continued to strengthen its intellectual property position during FY 2021 with key patents covering the use of pezadeftide to treat onychomycosis granted in Europe and Mexico. Hexima's global patent portfolio also includes similar granted patents in the United States, Japan, Singapore and Australia.

# Directors' Report (continued)

### INN designation

During the period under review, the International Nonproprietary Names (INN) Programme and Classification of Medical Products of the World Health Organization (WHO) selected "pezadeftide" as the non-proprietary name for Hexima's HXP124. The suffix "-deftide", representing defensin-derived anti-microbial peptides, establishes pezadeftide as the first in a new class of anti-fungal molecules. The designation of pezadeftide as the first in a new class of anti-microbial peptides highlights the important role that Hexima is playing in developing novel, powerful and broad-spectrum fungicidal molecules as potentially valuable tools in the ever-escalating battle with constantly evolving fungal pathogens.

### Formation of Scientific Advisory Board

During FY2021, Hexima held the first meeting of its Scientific Advisory Board (SAB), a group of internationally recognised Dermatologists and Podiatrists based in US, Australia and Japan who are expert clinical opinion leaders in onychomycosis. They include the lead clinicians from advanced clinical trials conducted for multiple successful therapeutic products developed to treat onychomycosis in international markets. In its inaugural meeting, the SAB discussed the scientific and early clinical data supporting the unique activity of pezadeftide.

### Management changes

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

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

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

### Impact of COVID-19

Like many businesses in Australia, Hexima has seen an impact from COVID-19. In particular, the pace of enrolment of patients into its phase IIb trial was modestly impacted by State travel restrictions, business closures and mandated lock downs due to COVID-19. These events have not affected in any way the integrity of the phase IIb trial and Hexima responded by adding additional clinical investigator sites and adopting other measures to accelerate patient recruitment and enrolment. The measures were effective and the trial was fully-enrolled in July 2021.

## Review of financial condition

The Group had net cash outflows from operating activities of \$5,517,424 for the year ended 30 June 2021, compared with \$2,099,064 for the prior year. The variance in the most part has resulted from the increased expenses of the phase IIb clinical trial and manufacturing development of pezadeftide. Revenue has increased as a result of the increased expenses, as the Research and Development tax rebate correlates directly with increased qualifying research and development expenditure.

The Group recorded a loss after tax of \$6,873,646 for the year ended 30 June 2021. A loss after tax of \$3,625,762 was recorded for the previous financial year. Net finance expense for the Group for the financial year ended 30 June 2021 was \$48,007 (2020: expense of \$91,471). The prior financial year net finance expense was greater due to the accrual of interest on convertible notes for the full year, this accrual ceased on their conversion to ordinary shares in September 2020.

### Financial position

Hexima has cash and short term receivables of \$7,445,019 at 30 June 2021 (2020: \$3,649,727).

### Change in capital structure

In September 2020, Hexima closed a placement of 28,500,000 shares at \$0.20 (post-consolidation) to raise \$5.7 million (the "Placement"). This was followed in November 2020 by a public offer (the "Public Offer") of 15,000,000 shares (also at \$0.20) to raise \$3,000,000 (before costs of the Public Offer) with an associated listing on ASX on 30 November 2020.

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

# Directors' Report (continued)

## Significant changes in the state of affairs

Convertible notes of \$3,246,791, including accrued interest of \$242,891, were converted to ordinary shares upon completion of the \$5,700,000 Placement in September 2020. On 20 November 2020, the Group completed a Public Offer of shares to raise \$3,000,000. On 30 November 2020, Hexima was admitted to the official list of ASX. There were no other significant changes in the state of affairs of the Group that occurred during the financial year ended 30 June 2021.

## DIVIDENDS

The Company has not paid or declared any dividends during or since the end of the financial year ended 30 June 2021.

## EVENTS SUBSEQUENT TO REPORTING DATE

In July 2021, the Group commenced negotiations to sell the glasshouse asset and surrender the lease for the land on which the glasshouse is constructed with the intention to utilize the proceeds to settle payables.

In July 2021, the Board resolved to issue 1,792,000 options to KMP and other personnel. 1,643,000 of these options were issued to Directors and are subject to shareholder approval.

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 2021.

## 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.

## 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	3,000,000	1,393,000
Marilyn Anderson	2,280,548	286,000
Nicole van der Weerden	144,700	1,894,000
Justin Yap	-	536,500
Scott Robertson	-	536,500
Michael Aldridge	-	3,272,000
Steven Skala	5,480,029	125,000
<b>Total</b>	<b>10,905,277</b>	<b>8,043,000</b>

A related party of Justin Yap holds 14,715,790 shares in the Company.

# Directors' Report (continued)

## 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
12 February 2022	\$0.40	375,000
12 February 2022	\$0.16	662,500
31 December 2022	\$0.40	50,000
1 January 2023	\$0.40	500,500
15 December 2023	\$0.30	1,000,000
15 December 2023	\$0.40	1,000,000
15 December 2023	\$0.60	1,000,000
1 January 2024	\$1.00	250,000
15 November 2024	\$1.00	143,000
28 January 2025	\$1.00	250,000
14 October 2030	\$0.20	7,117,500
27 July 2031	\$0.205	1,792,000
		<b>14,140,500</b>

### 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.

## INDEMNIFICATION AND INSURANCE OF OFFICERS AND DIRECTORS

The Company has entered into deeds of access, insurance and indemnity with each Director, alternate director and the Company Secretary of Hexima.

Under the Constitution, the Company is required to indemnify all Directors and officers, past and present, against certain liabilities. The indemnity provided for under the deed of access, insurance and indemnity, operates from the date of appointment as a Director or officer of the Company until the seventh anniversary of that Director or officer's retirement date. To the extent permitted by law and subject to the scope of and limitations on indemnities found in the deed of access, insurance and indemnity and the prohibitions in section 199A of the Corporations Act, the Company indemnifies the Director against any and all liabilities incurred by the Director as an officer of a Group Member, including any and all legal costs incurred by the Director in connection with a claim. If the Director becomes liable to pay any amount for which the Director is or is entitled to be indemnified under the deed of access, insurance and indemnity, the Company must pay that amount to the person to whom the amount is due within 10 Business Days after the date on which the Director provides evidence satisfactory to the Company that the Director is liable to pay that amount and is entitled to be indemnified under this deed.

Under the Constitution, the Company must arrange and maintain Directors' and officers' insurance for its Directors and officers to the extent permitted by law. Under the deed of access, insurance and indemnity, the Company must, for each Director or officer, maintain or procure the maintenance of insurance for the Director or officer's period of office and for a period of seven years after the Director or officer ceases to hold office.

The deed of access, insurance and indemnity allows for the Company in certain cases to make advance payments to an indemnified party for an amount owing in respect of a loss covered by the deed.

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 2021, the Company paid insurance premiums totalling \$288,850 in respect of Directors' and Officers' liability and legal expenses insurance contracts (2020: \$34,320). 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.



# Directors' Report (continued)

## AUDITED REMUNERATION REPORT

### Principles of Remuneration

The remuneration report details the Key management personnel (KMP) remuneration practices of the Group. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. For the financial year ended 30 June 2021, key management personnel comprised all Directors, Executives and the Company Secretary

#### Key Management Personnel

##### Directors

Professor Jonathan West	Non-Executive Chairman
Mr Scott Robertson	Non-Executive Director
Mr Justin Yap	Non-Executive Director
Mr Michael Aldridge	Managing Director and Chief Executive Officer
Dr Nicole van der Weerden	Executive Director and Chief Operating Officer
Professor Marilyn Anderson AO	Executive Director
Mr Steven Skala AO	Alternate Non-Executive Director (for Mr Scott Robertson)
Dr John Bedbrook (resigned 22 September 2020)	Non-Executive Director
Mr GF (Dan) O'Brien (resigned 22 September 2020)	Non-Executive Director

##### Other Management Personnel

Dr Peter Welburn	Chief Development Officer
Ms Helen Molloy	Financial Controller and Company Secretary

Remuneration levels for key management personnel are set to attract and retain appropriately qualified and experienced Directors and Executives. The Remuneration and Nomination 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 salary, 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 Incentives (STI): The objective of STI is to link the achievement of the Company's operational targets with the remuneration received by the executives responsible for meeting those targets. The total potential STI available is set at a level that provides appropriate incentive to the executive to achieve the operational targets at a cost to the Company that is reasonable in the circumstances. Actual STI payments in the form of cash bonuses to key management personnel depend on the extent to which specific corporate goals set at the beginning of the financial year (or shortly thereafter) are met. These corporate goals are linked to the Company's development plans. On an annual basis, after consideration of actual performance against KPIs, the Remuneration and Nomination Committee determines the amount, if any, of the STI to be paid to KMP. Payments of the STI are made in the following reporting period. The Remuneration and Nomination Committee considered the STI payment for the 2021 financial year in July 2021. Based on the achievement of operational objectives in the financial year, the Remuneration and Nomination Committee has determined there will be \$319,457 STI paid to KMP for the 2021 financial year. This payment will be made during FY2022.

Long term incentives may be provided as options over the Company's ordinary shares and other securities. Details are provided on pages 26 to 27 of the Directors' Report.

# Directors' Report (continued)

## AUDITED REMUNERATION REPORT (continued)

### Consequences of Performance on Shareholder Wealth

Hexima is a development stage company and the performance linked remuneration of key management personnel is not determined by the level of revenue, profit or dividends. Instead, consideration is given to the progress of product development programs, the achievement of the Company's strategic goals, 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 remuneration paid to key management personnel, but do not prescribe how remuneration levels are modified from year to year. Base salary 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 remuneration policy.

All employment contracts have no fixed term and may be terminated immediately for cause or for material underperformance.

#### Mr Michael Aldridge

Mr Aldridge is an employee of the Group and was appointed Chief Business Officer on 1 June 2019. Mr Aldridge accepted the role of Chief Executive Officer in September 2020. The Group or Mr Aldridge can terminate the employment contract at any time.

If Mr Aldridge's position was terminated other than for cause, death or disability or resignation for good reason within the change in control period (the period beginning on the date that is 3 months prior to the date of a closing change in control, and ending on the 1 year anniversary of such change in control as defined in the Corporations Act), he would receive a lump sum of 12 months base salary. If termination was outside the change in control period continuing payments of salary for 6 months from the date of termination would be made.

#### Dr. Nicole van der Weerden

Executive Director Dr. van der Weerden has been a member of the Executive since 2012 and was Chief Executive Officer from December 2015 to September 2020. 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. The Group or Dr van der Weerden can terminate this employment contract at any time provided that either party gives 3 months written notice, other than for summary dismissal.

#### 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. The Group or Professor Anderson can terminate this employment contract at any time provided that either party gives 3 months written notice, other than for summary dismissal.

#### Ms Helen Molloy

Ms Molloy has an employment contract with the Group having dual roles of Company Secretary and Financial Controller. The Group or Ms Molloy can terminate this employment contract at any time provided that either party gives 1 months written notice, other than for summary dismissal.

#### Dr Peter Welburn

Dr Welburn has an employment contract with the Group having been appointed Clinical Development Officer in October 2020. The Group or Dr Welburn can terminate this employment contract at any time provided that either party gives 3 months written notice, other than for summary dismissal.

### 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.

Other than is noted below, Non-Executive directors have not received any cash payments since 1 January 2015, and have instead received equity compensation;

- During October 2020 both Steven Skala and Jonathan West received \$100,000 as they performed duties over and above that expected from a non-executive director in the lead up to the \$5.7million placement that occurred in September 2020.

# Directors' Report (continued)

## AUDITED 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	Total Remuneration	Value of Bonus as proportion of remuneration	Value of options as proportion of remuneration	
		Fixed Remuneration (Salary & Fees)	Leave Benefits	Health Cover	Bonus	Share Options Issued <sup>(1)</sup>				Super-annuation
<b>Non-executive Directors</b>										
Jonathan West	2021	100,000	-	-	-	86,813	-	186,813	-	46%
	2020	-	-	-	-	15,280	-	15,280	-	100%
John Bedbrook	2021	-	-	-	-	4,992	-	4,992	-	100%
	2020	-	-	-	-	14,701	-	14,701	-	100%
GF Dan O'Brien	2021	-	-	-	-	4,992	-	4,992	-	100%
	2020	-	-	-	-	7,641	-	7,641	-	100%
Scott Robertson	2021	-	-	-	-	11,980	-	11,980	-	100%
	2020	-	-	-	-	12,514	-	12,514	-	100%
Justin Yap	2021	-	-	-	-	27,646	-	27,646	-	100%
	2020	-	-	-	-	9,017	-	9,017	-	100%
Steven Skala AO	2021	100,000	-	-	-	15,806	-	115,806	-	14%
	2020	-	-	-	-	-	-	-	-	-
<b>Executive Directors</b>										
Marilyn Anderson AO <sup>(2)</sup>	2021	82,788	1,377	-	12,867	7,203	3,901	108,136	12%	7%
	2020	117,132	8,421	-	-	3,543	7,163	136,259	-	3%
Nicole van der Weerden <sup>(4)</sup>	2021	317,076	50,582	-	86,800	72,731	15,951	543,140	16%	13%
	2020	230,925	10,163	-	-	7,085	8,643	256,816	-	3%
Michael Aldridge	2021	525,166	16,560	63,121	186,000	85,425	-	876,272	21%	10%
	2020	386,529	-	29,942	-	94,717	-	511,188	-	19%
<b>Executives</b>										
Elisha Larkin <sup>(3)</sup>	2021	-	-	-	-	-	-	-	-	-
	2020	38,799	49,380	-	-	2,370	3,686	94,235	-	3%
Helen Molloy <sup>(5)</sup>	2021	153,689	14,025	-	10,540	12,614	14,600	205,468	5%	6%
	2020	143,891	22,939	-	-	2,207	13,670	182,707	-	1%
Peter Welburn	2021	102,740	5,192	-	23,250	32,632	9,760	173,574	13%	20%
	2020	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2021</b>	<b>1,381,459</b>	<b>87,736</b>	<b>63,121</b>	<b>319,457</b>	<b>362,834</b>	<b>44,212</b>	<b>2,258,819</b>	<b>14%</b>	<b>16%</b>
	<b>2020</b>	<b>917,276</b>	<b>90,903</b>	<b>29,942</b>	<b>-</b>	<b>169,075</b>	<b>33,162</b>	<b>1,240,358</b>	<b>-</b>	<b>14%</b>

# Directors' Report (continued)

## AUDITED REMUNERATION REPORT (continued)

### Directors' and Executive Officers' Remuneration (continued)

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

- The fair value of options is calculated at grant date using the Black-Scholes Pricing model, and expensed over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in this reporting period.
- Professor Anderson is employed by both the Company and 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 \$108,136 (2020: \$136,259), comprising \$66,408 (2020: \$94,531) paid and payable directly by the Company and \$41,728 (2020: \$41,728) paid by La Trobe University (for services performed for Hexima). In the current year the La Trobe payment has been included in the Remuneration table above and the comparative numbers have been adjusted for consistency.  
  
Professor Anderson is the Chief Science Officer for Hexima Limited as well as an Executive Director of the Company.
- Ms Elisha Larkin resigned as Company Secretary effective 19 November 2019. Ms Larkin was employed on a part-time basis.
- Dr. Nicole van der Weerden is employed by both the Company and 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 \$543,140 (2020: \$256,816), comprising \$393,969 (2020: \$116,870) paid and payable directly by the Company, and \$149,171 (2020: \$139,946) paid by La Trobe University (for the services performed for Hexima). In the current year the La Trobe payment has been included in the Remuneration table above and the comparative numbers have been adjusted for consistency.  
  
Dr van der Weerden is the Chief Operating Officer for Hexima Limited as well as an Executive Director of the Company.
- Ms Molloy was appointed sole Company Secretary on 21 November 2019. Ms Molloy is an employee of the Group and is also Financial Controller.

# Directors' Report (continued)

## AUDITED REMUNERATION REPORT (continued)

### 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. Options were issued as an incentive to KMP to align with business objectives and have a service criteria only. The number of options granted during the year are based on term of service and are consistent with equity-based compensation for similar stage life science companies. The number of options granted to Michael Aldridge also considered his acceptance of the Chief Executive Officer role.

30 June 2021:

	Cancelled Options				Granted and Vested Options							
	Number	Expiry Date	Exercise Price	FV at Cancellation Date	Number	Exercise Price	Grant Date	Vesting period	FV per option at grant date	Expiry Date	Options vested 2021	
<b>Jonathan West</b>	500,000	11/12/2020	\$1.00	\$1	1,000,000	\$0.20	14/10/2020	1 year	\$0.1782	14/10/2030	-	
	250,000	12/02/2022	\$0.40	\$12,714								
	250,000	01/01/2023	\$0.40	\$19,386								
	250,000	01/01/2024	\$1.00	\$16,134								
	250,000	28/01/2025	\$1.00	\$21,695								
<b>Michael Aldridge</b>	2,500,000	18/06/2029	\$1.00	\$361,164	2,750,000	\$0.20	14/10/2020	4 years	\$0.1782	14/10/2030	-	
<b>Nicole van der Weerden</b>	250,000	11/12/2020	\$1.00	-	1,150,000	\$0.20	14/10/2020	4 years	\$0.1782	14/10/2030	-	
<b>Marilyn Anderson</b>	-	-	-	-	125,000	\$0.20	14/10/2020	4 years	\$0.1782	14/10/2030	-	
<b>John Bedbrook</b>	-	-	-	-	-	\$1.00	28/01/2020		\$0.0734	28/01/2025	125,000	
<b>GF Dan O'Brien</b>	-	-	-	-	-	\$1.00	28/01/2020		\$0.0734	28/01/2025	125,000	
<b>Justin Yap</b>	62,500	01/01/2023	\$0.40	\$4,847	312,500	\$0.20	14/10/2020	1 year	\$0.1782	14/10/2030	-	
	125,000	01/01/2024	\$1.00	\$8,067								
	125,000	28/01/2025	\$1.00	\$10,848								
<b>Scott Robertson</b>	50,000	31/12/2022	\$0.40	\$3,874	312,500	\$0.20	14/10/2020	1 year	\$0.1782	14/10/2030	-	
	500,000	22/02/2024	\$1.00	\$33,856								
	125,000	28/01/2025	\$1.00	\$10,848								
<b>Steven Skala</b>	125,000	11/12/2020	\$1.00	-	125,000	\$0.20	14/10/2020	1 year	\$0.1782	14/10/2030	-	
<b>Peter Welburn</b>	-	-	-	-	650,000	\$0.20	14/10/2020	4 years	\$0.1782	14/10/2030	-	
<b>Helen Molloy</b>	30,000	15/07/2024	\$1.00	\$2,284	217,500	\$0.20	14/10/2020	4 years	\$0.1782	14/10/2030	-	
<b>Total</b>	<b>5,392,500</b>				<b>6,642,500</b>						<b>250,000</b>	

The options in the June 2021 table are post consolidation

# Directors' Report (continued)

30 June 2020:

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

The options in the June 2020 table are pre consolidation

End of Audited Remuneration Report



# Directors' Report (continued)

## NON-AUDIT SERVICES

During the year KPMG, the Group's auditor, has performed certain other services in addition to the audit and review of the financial statements.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with advice provided by the Audit and Risk Management Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

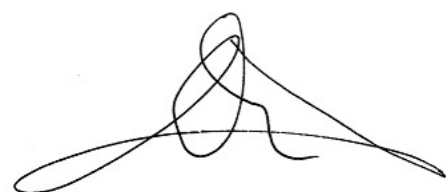
Details of the amounts paid to the auditor of the Group, KPMG, for audit and non-audit services are set out below:

	2021	2020
	\$	\$
<b>Services other than audit and review of financial statements:</b>		
<b>Other assurance services</b>		
Investigating Accountant for public offer of shares	108,675	-
<b>Audit and review of the financial statements</b>	85,679	48,228
	194,354	48,228

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

The Lead Auditor's Independence Declaration is set out on page 68 and forms part of the Directors' Report for the year ended 30 June 2021.

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



**Professor Jonathan West**  
Non-Executive Chairman

Dated this 26<sup>th</sup> day of August 2021



**Mr Michael Aldridge**  
Managing Director and Chief Executive Officer

## ASX ADDITIONAL INFORMATION

CURRENT AS AT 18 AUGUST 2021

### Substantial shareholders

Shareholder	Shares	Relevant interest
Woobinda Nominees Pty Ltd and its associates <sup>2</sup>	14,939,353	11.4%
Dato Lim Sen Yap <sup>1</sup>	14,715,790	11.2%
Gowing Bros Ltd <sup>3</sup>	7,923,307	6.1%
<b>Total</b>	<b>37,578,450</b>	<b>28.7%</b>

Note 1: Related party of Justin Yap, a Director of Hexima.

Note 2: Associated entities of G.F.O'Brien, a previous Director of Hexima.

Note 3: Jonathan West, a Director of Hexima, is chairman of Gowing Bros Ltd.

### Voting rights

#### Ordinary shares

Holders of ordinary shares are entitled to one vote per share at general meetings of the Company

#### Options

There are no voting rights attached to options

### Distribution of equity security holders

Category	Number of equity security holder					Redeemable Convertible Notes
	Ordinary Shares	Options	Rights	Convertible Preference	Redeemable Preference	
1 - 1,000	82	-	-	-	-	-
1,001 - 5,000	239	2	-	-	-	-
5,001 - 10,000	133	2	-	-	-	-
10,001 - 100,000	343	12	-	-	-	-
100,001 and over	116	15	-	-	-	-
	913	31	-	-	-	-

### Securities exchange

The Company is listed on the ASX. The home exchange is Sydney.

## ASX ADDITIONAL INFORMATION (continued)

CURRENT AS AT 18 AUGUST 2021

### Twenty largest shareholders

	Name	Number of Ordinary Shares Held	Percentage of Capital Held
1	Dato Lim Sen Yap	14,715,790	11.2
2	Caroline House Superannuation Fund Pty Ltd	8,487,131	6.5
3	Woobinda Nominees Pty Ltd	6,452,222	4.9
4	Beta Gamma Pty Ltd	5,736,586	4.4
5	HSBC Custody Nominees (Australia) Ltd	4,871,833	3.7
6	Gowing Bros Limited	4,256,176	3.5
7	Paul Orlin	3,750,000	2.9
8	Gowing Bros Ltd	3,667,131	2.8
9	Balmoral Financial Investments Pty Ltd	3,051,090	2.3
10	Adrienne Clarke	3,028,938	2.3
11	Hugh Morgan	2,977,252	2.3
12	Dongrisha Pty Ltd	2,500,000	1.9
13	Dalit Pty Ltd	2,500,000	1.9
14	Huysmans Pty Ltd	2,346,011	1.8
15	Marilyn Anderson	2,280,548	1.7
16	Clianth Investments Pty Ltd	2,106,755	1.6
17	Pioneer Hi-Bred International Inc	2,000,000	1.5
18	Mr Leon Francis Lachal & Mrs Susan Lachal	1,779,249	1.4
19	Cranley Nominees	1,762,145	1.3
20	UBS Nominees Pty Ltd	1,606,367	1.2
		79,875,224	61.0

### Restricted securities

Shares/Options subject to escrow	Date from which securities may be sold
10,400,000	1 December 2022
3,559,437	25 September 2021
<b>13,959,437</b>	

### Use of funds since listing

Hexima's use of funds during FY 2021 was consistent with achieving the business objectives as outlined in the prospectus dated 15 October 2020 and filed with ASIC. This included expenditure on the Company's ongoing phase IIb clinical trial, scale up of pezadeftide manufacturing, formulation, stability and toxicology studies.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

	Notes	Consolidated	
		2021	2020
		\$	\$
<b>Revenue</b>			
Collaboration and service fees	4(a)	-	88,184
Lease income	4(b)	392,948	409,172
Government grants	4(c)	3,770,581	2,070,985
		4,163,529	2,568,341
<b>Expense</b>			
Contracted research		(1,885,007)	(2,180,959)
Other research and development	5	(5,794,736)	(1,839,169)
Patent and legal		(208,582)	(264,998)
Marketing and business development		(109,339)	(126,749)
Employee benefits		(2,293,087)	(1,103,154)
Depreciation		(147,979)	(162,359)
Other	6	(550,438)	(425,244)
		(10,989,168)	(6,102,632)
<b>Results from operating activities</b>		<b>(6,825,639)</b>	<b>(3,534,291)</b>
Finance income	7	99,423	89,308
Finance expense	7	(147,430)	(180,779)
<b>Net financing (expense) / income</b>		<b>(48,007)</b>	<b>(91,471)</b>
<b>Loss before income tax</b>		<b>(6,873,646)</b>	<b>(3,625,762)</b>
Income tax expense	8(a)	-	-
<b>Loss for the period</b>		<b>(6,873,646)</b>	<b>(3,625,762)</b>
<b>Other comprehensive income for the period, net of income tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive loss for the period</b>		<b>(6,873,646)</b>	<b>(3,625,762)</b>
<b>Loss attributable to:</b>			
Owners of the Company		(6,873,646)	(3,625,762)
<b>Loss for the period</b>		<b>(6,873,646)</b>	<b>(3,625,762)</b>
<b>Total comprehensive loss attributable to:</b>			
Owners of the Company		(6,873,646)	(3,625,762)
<b>Total comprehensive loss for the period</b>		<b>(6,873,646)</b>	<b>(3,625,762)</b>
<b>Basic EPS (cents per share)</b>	16	<b>(6.14)</b>	<b>(5.57)</b>
<b>Diluted EPS (cents per share)</b>	16	<b>(6.14)</b>	<b>(5.57)</b>

The accompanying notes form part of these financial statements

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Notes	Consolidated	
		2021	2020
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	10	3,421,881	1,357,647
Receivables	11	4,023,138	2,292,080
<b>TOTAL CURRENT ASSETS</b>		<b>7,445,019</b>	<b>3,649,727</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	12(a)	131,998	1,275,586
Investment Property	12(b)	998,032	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,130,030</b>	<b>1,275,586</b>
<b>TOTAL ASSETS</b>		<b>8,575,049</b>	<b>4,925,313</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	3,293,844	3,353,137
Loans and borrowings	14	31,996	3,022,372
Employee benefits	15	586,871	170,079
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,912,711</b>	<b>6,545,588</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	13	1,616,758	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,616,758</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>5,529,469</b>	<b>6,545,588</b>
<b>NET ASSETS/(DEFICIENCY IN NET ASSETS)</b>		<b>3,045,580</b>	<b>(1,620,275)</b>
<b>EQUITY</b>			
Share capital	16	71,905,180	61,006,378
Reserves	16	2,281,224	1,640,525
Accumulated losses		(71,140,824)	(64,267,178)
<b>TOTAL EQUITY / (DEFICIENCY IN EQUITY)</b>		<b>3,045,580</b>	<b>(1,620,275)</b>

The accompanying notes form part of these financial statements

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

	Note	Consolidated				Total equity
		Ordinary Shares	Equity Option reserve	Equity compensation reserve	Accumulated Losses	
		\$	\$	\$	\$	\$
<b>2021</b>						
Opening balance at 1 July 2020		61,006,378	200,000	1,440,525	(64,267,178)	(1,620,275)
<b>Total comprehensive loss for the period</b>						
Net (loss) for the period		-	-	-	(6,873,646)	(6,873,646)
Other comprehensive income		-	-	-	-	-
Total comprehensive loss for the year		-	-	-	(6,873,646)	(6,873,646)
<b>Transactions with owners recorded directly in equity</b>						
Issue Ordinary shares		8,700,000	-	-	-	8,700,000
Issue Convertible Notes		3,246,791	-	-	-	3,246,791
Capital Raising Costs		(1,047,989)	-	-	-	(1,047,989)
Share based payment expenses		-	250,216	390,483	-	640,699
Amount received on issue of options		-	-	-	-	-
Issue of shares on exercise of options		-	-	-	-	-
Total contributions by and distributions to owners		10,898,802	250,216	390,483	-	11,539,501
<b>Closing balance at 30 June 2021</b>		<b>71,905,180</b>	<b>450,216</b>	<b>1,831,008</b>	<b>(71,140,824)</b>	<b>3,045,580</b>
<b>2020</b>						
Opening balance at 1 July 2019		61,006,378	200,000	1,253,399	(60,641,416)	1,818,361
<b>Total comprehensive loss for the period</b>						
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)
<b>Transactions with owners recorded directly in equity</b>						
<i>Contributions by and distributions to owners</i>						
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
<b>Closing balance at 30 June 2020</b>		<b>61,006,378</b>	<b>200,000</b>	<b>1,440,525</b>	<b>(64,267,178)</b>	<b>(1,620,275)</b>

The accompanying notes form part of these financial statements



# CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Consolidated	
	2021	2020
Notes	\$	\$
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>		
Cash receipts from government grants & collaboration agreements	2,017,046	2,347,385
Cash receipts from lease agreement	538,820	342,324
Cash paid to suppliers and employees	(8,349,628)	(4,788,773)
Net cash used in operating activities	17(b) (5,793,762)	(2,099,064)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	1,520	2,551
Payments for plant and equipment	(2,423)	(1,738)
Net cash from investing activities	(903)	813
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments received on issue of options	-	100
Receipt of Paycheck Protection Program from the US Government	-	63,991
Proceeds from the issue of ordinary shares	8,700,000	-
Payments to raise capital	(797,347)	-
Proceeds from Convertible note issue	-	1,400,000
Net cash from financing activities	7,902,653	1,464,091
Net increase / (decrease) in cash and cash equivalents	2,107,988	(634,160)
Effect on movements in exchange rates on foreign currency denominated cash at bank	(43,754)	41,238
Cash and cash equivalents at 1 July	1,357,647	1,950,569
Cash and cash equivalents at 30 June	17(a) 3,421,881	1,357,647

The accompanying notes form part of these financial statements

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

## 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 2021 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. Hexima's lead product candidate, pezadeftide (previously referred to as HXP124) applied in a topical formulation, is a potential new prescription treatment for toenail fungal infections (or onychomycosis). Hexima is currently conducting an Australian phase IIb clinical trial testing pezadeftide for the treatment of onychomycosis.

## 2. BASIS OF PREPARATION

### (a) Basis of accounting

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 26 August 2021.

Details of the Group's accounting policies are included in Note 26. 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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (continued)

## 2. BASIS OF PREPARATION (continued)

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

#### Convertible notes

The fair value of the embedded derivative within the convertible note at time of conversion of the note was measured using the Monte Carlo Model. Measurement inputs were 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 14 – convertible notes.
- Note 9 – measurement of share-based payments

### (e) 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 2021 of \$6,873,646 (2020: loss after tax of \$3,625,762) and as at 30 June 2021 has a surplus in net current assets of \$3,532,308 (2020: deficit of net current assets of \$2,895,861) and an overall net asset surplus of \$3,045,580 (2020: net asset deficit of \$1,620,275).

Notwithstanding the 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 majority of the Group's research expenditure is expected to continue to be eligible for the Australian Government's research and development tax incentive rebate;
- 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;
- 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 to allow the Group to defer \$1,616,758 of amounts payable and recorded as a non-current liability at 30 June 2021 and instead repay this amount on 31 December 2022. In addition:
  - 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; and
- post year end the Company has entered into negotiations to sell its glasshouse to the provider and that the proceeds on sale will be used to retire this deferred liability with the provider.
- The Directors have prepared a cash flow forecast for the period from 1 July 2021 until 31 December 2022. This forecast indicates the Group will require additional financing to fund its research and development expenditures, which may be in the form of a capital raising and/or licensing fees from a corporate partnership.
- Hexima is listed on ASX and the Directors are confident of the ability of the Company to raise sufficient capital to fund its future operations;

The Group's ability to continue to operate as a going concern is dependent upon the successful sale of the glasshouse and/or the ability to secure additional funding or curtail its future expenditure (as outlined above), which is yet to be secured and is consequently uncertain at the date of approval of these annual financial statements. This gives 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. 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. The Group employs a US-based CEO and approximately 10% of the Groups expenses are incurred in the USA.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (continued)

## 4. REVENUE, LEASING INCOME AND GOVERNMENT GRANTS

	Consolidated	
	2021	2020
	\$	\$
<b>(a) Revenue</b>		
Collaboration and service fees	-	88,184
<b>(b) Lease income</b>		
Income from rental of glasshouse	392,948	409,172
<b>(c) Government grants</b>		
R&D tax incentive	3,657,085	1,905,621
Covid-19	81,500	77,000
Other	31,996	88,364
<b>Total government grants</b>	<b>3,770,581</b>	<b>2,070,985</b>
	<b>4,163,529</b>	<b>2,568,341</b>

## 5. OTHER RESEARCH AND DEVELOPMENT EXPENDITURE

	Consolidated	
	2021	2020
	\$	\$
Other research and development expenditure	5,794,736	1,839,169
	<b>5,794,736</b>	<b>1,839,169</b>

## 6. OTHER EXPENSES

	Consolidated	
	2021	2020
	\$	\$
Administration and compliance costs	427,733	365,468
Other expenses	122,705	59,776
	<b>550,438</b>	<b>425,244</b>

## 7. FINANCE INCOME AND EXPENSE

	Consolidated	
	2021	2020
	\$	\$
Interest income on term deposit and cash at bank	1,453	2,551
Interest expense on convertible note issue	(44,935)	(180,779)
Interest on discounted long term debt	97,970	-
Foreign exchange gain/(loss)	(56,887)	41,238
Derivative instrument gain	(45,608)	45,519
<b>Finance (expense)/income</b>	<b>(48,007)</b>	<b>(91,471)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (continued)

## 8. INCOME TAX

### (a) Income tax expense

	Consolidated	
	2021	2020
	\$	\$
Loss before tax	(6,873,646)	(3,625,762)
Income tax benefit using the domestic corporation tax rate of 26% (2019: 27.5%)	(1,787,148)	(997,085)
Increase/(decrease) in income tax expense due to:		
R & D adjustment	2,188,245	1,208,864
Non-assessable R&D tax incentive	(951,887)	(524,055)
Non-deductible share based payment	101,526	51,432
Other	(351)	14,076
Temporary differences and tax losses not brought to account	135,964	246,768
Adjustment to deferred tax asset due to change in tax rate	47,919	-
Adjustment to prior year tax	265,732	-
<b>Income tax expense/(benefit) on pre-tax net profit</b>	<b>-</b>	<b>-</b>

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	1,142,374	612,789
Tax losses	8,805,345	9,207,399
<b>Total</b>	<b>9,947,719</b>	<b>9,820,188</b>

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (continued)

## 9. SHARE-BASED PAYMENTS

At 30 June 2021, the Group had the following share-based payment arrangements. All options are to be settled by physical delivery of shares. The terms and conditions of the share options granted as at 30 June 2021 are as follows;

Grant date / parties entitled	Number of instruments	Vesting conditions	Contractual life of options
Options granted 12 February 2017 to key management	375,000	Vesting upon continuous service until 31 December 2017	5 years
Options granted 12 February 2017 to key management	662,500	Vesting on earlier of 25% at completion of each year post grant, or on completion of deal with minimum total and minimum upfront payment	5 years
Options granted 1 January 2018 to key management	312,500	Vesting upon continuous service until 31 December 2018	5 years
Options granted 1 January 2018 to other personnel	148,000	Vesting immediately	5 years
Options granted 1 January 2018 to other personal	52,500	Vested upon completion of various performance related milestones - all vested	5 years
Options granted 1 January 2018 to other personnel	50,000	Vested upon delivery of certain licensing and technology advice - all vested	5 years
Options granted 1 January 2019 to key management	250,000	Vesting upon continuous service until 31 December 2019	5 years
Options granted 15 November 2019 to other personnel	155,500	Vesting immediately	5 years
Options granted 28 January 2020 to key management	250,000	Vesting upon retirement 22 September 2020	5 years
Options granted 14 October 2020 to key management	1,750,000	Vesting upon continuous service until 14 October 2021	10 years
Options granted 14 October 2020 to key management	4,892,500	Tranche 1 25% vesting 14 October 2021, and monthly thereafter until 14 October 2024	10 years
Options granted 14 October 2020 to other personnel	475,000	Tranche 1 25% vesting 14 October 2021, and monthly thereafter until 14 October 2024	10 years
Options granted 15 December 2020 to other party	3,000,000	Vesting immediately	3 years
<b>Total share options</b>	<b>12,373,500</b>		



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (continued)

## 9. SHARE-BASED PAYMENTS (continued)

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

	Weighted average exercise price		Number of options	
	2021	2021	2020	2020
Outstanding at 1 July	\$0.78	8,802,500	\$0.78	8,703,500
Exercised during the period	-	-	-	-
Cancelled during the period	\$0.94	(5,452,500)	-	-
Lapsed during period	\$0.59	(1,094,000)	\$0.98	(936,500)
Granted during the period	\$0.27	10,117,500	\$1.00	1,035,500
<b>Outstanding at 30 June</b>	<b>\$0.31</b>	<b>12,373,500</b>	<b>\$0.78</b>	<b>8,802,500</b>

The comparative detail has been restated for the 1:2 share consolidation which occurred during the 2021 financial year.

The options outstanding at 30 June 2021 have various exercise prices (\$0.16, \$0.20, \$0.30, \$0.40, \$0.60 and \$1.00) and a weighted average remaining contractual life of 6.2 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 and other in FY21 were:

- Non-executive Directors; 1,750,000 options with Risk-free rate 0.84%, exercise price of \$0.20, fair value at grant date \$0.1782, expected volatility (annualised) 100.00%, expected life of 10 years, and an annualised dividend rate of 0%.
- Executive Directors; 4,025,000 options with Risk-free rate 0.84%, exercise price of \$0.20, fair value at grant date \$0.1782, expected volatility (annualised) 100.00%, expected life of 10 years, and an annualised dividend rate of 0%.
- Management Personnel; 1,342,500 options with Risk-free rate 0.84%, exercise price of \$0.20, fair value at grant date \$0.1782, expected volatility (annualised) 100.00%, expected life of 10 years, and an annualised dividend rate of 0%.

Other; 3,000,000 options allocated into three 1,000,000 parcels with Risk-free rate 0.11%, exercise prices of \$0.30, \$0.40 and \$0.60, fair value at grant date \$0.0957, \$0.0848 and \$0.0696 respectively with expected volatility (annualised) 100.00%, expected life of 3 years, and an annualised dividend rate of 0%.

### Employee expenses

	Consolidated	
	2021	2020
Current	\$	\$
Share options expense	390,483	187,026
<b>Total expense recognised as employee costs</b>	<b>390,483</b>	<b>187,026</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (continued)

## 10. CASH AND CASH EQUIVALENTS

	Consolidated	
	2021	2020
	\$	\$
Cash on hand	952	952
Cash at bank	3,420,929	1,356,695
	<b>3,421,881</b>	<b>1,357,647</b>

## 11. RECEIVABLES

	Consolidated	
	2021	2020
	\$	\$
<b>Current</b>		
Trade receivables	110,135	215,528
R&D Tax Incentive Receivable - ATO	3,661,103	1,907,568
Prepayments and other receivables	251,900	168,984
	<b>4,023,138</b>	<b>2,292,080</b>

The Group's exposure to credit and currency risks and impairment losses related to trade receivables is disclosed in Note 19.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (continued)

## 12.(a) PLANT AND EQUIPMENT

Consolidated	Plant and Equipment	Office Equipment	Total
Cost	\$	\$	\$
Balance at 1 July 2020	3,424,934	19,670	3,444,604
Additions	-	2,423	2,423
Transfer to investment property	(2,365,709)	-	(2,365,709)
<b>Balance at 30 June 2021</b>	<b>1,059,225</b>	<b>22,093</b>	<b>1,081,318</b>
Balance at 1 July 2019	3,424,934	19,737	3,444,671
Additions	-	1,738	1,738
Disposals	-	(1,805)	(1,805)
<b>Balance at 30 June 2020</b>	<b>3,424,934</b>	<b>19,670</b>	<b>3,444,604</b>
<b>Accumulated depreciation</b>			
Balance at 1 July 2020	2,152,057	16,961	2,169,018
Depreciation for the year	145,590	2,389	147,979
Transfer to investment property	(1,367,677)	-	(1,367,677)
<b>Balance at 30 June 2021</b>	<b>929,970</b>	<b>19,350</b>	<b>949,356</b>
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)
<b>Balance at 30 June 2020</b>	<b>2,152,057</b>	<b>16,961</b>	<b>2,169,018</b>
<b>Carrying amounts</b>			
At 30 June 2020	159,519	2,674	162,227
<b>At 30 June 2021</b>	<b>129,255</b>	<b>2,743</b>	<b>131,962</b>

The glasshouse has been reclassified in FY2021 as Hexima no longer intends to use the glasshouse in the future (Refer to Note 12(b)). Post year end Hexima has commenced negotiations to sell the glasshouse.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (continued)

## 12.(b) INVESTMENT PROPERTY

The Group holds one investment property, a glasshouse facility measured at cost. Hexima considers the fair value of the glasshouse to be \$2.8m based on the current rental return. The glasshouse has been wholly leased to a third party. Refer to Note 22.

	Glasshouse
Cost	\$
Balance at 1 July 2020	-
Transfer from property, plant and equipment	2,365,709
Disposals	-
<b>Balance at 30 June 2021</b>	<b>2,365,709</b>
Balance at 1 July 2019	-
Additions	-
Disposals	-
<b>Balance at 30 June 2020</b>	<b>-</b>
<b>Accumulated depreciation</b>	
Balance at 1 July 2020	-
Transfer from property, plant and equipment	1,367,677
Disposals	-
<b>Balance at 30 June 2021</b>	<b>1,367,677</b>
Balance at 1 July 2019	-
Depreciation for the year	-
Disposals	-
<b>Balance at 30 June 2020</b>	<b>-</b>
<b>Carrying amounts</b>	
At 30 June 2020	-
<b>At 30 June 2021</b>	<b>998,032</b>

## 13. TRADE AND OTHER PAYABLES

	Consolidated	
	2021	2020
Current	\$	\$
Trade payables and other	2,678,680	2,567,376
Other payables & accrued expenses	516,119	687,794
Rental income received in advance	99,045	97,967
	<b>3,293,844</b>	<b>3,353,137</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (continued)

## 13. TRADE AND OTHER PAYABLES (continued)

	Consolidated	
	2021	2020
<b>Non-Current</b>	<b>\$</b>	<b>\$</b>
Trade payable	1,616,758	-
	<b>1,616,758</b>	<b>-</b>

Exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 19.

## 14. LOANS AND BORROWINGS

	Consolidated	
	2021	2020
<b>Non-Current</b>	<b>\$</b>	<b>\$</b>
Convertible Note	-	2,958,381
US Government Loan - Paycheck Protection Program	31,996	63,991
	<b>31,996</b>	<b>3,022,372</b>

### Terms and Repayment Schedule

Type	Currency	Interest rate	Year of Maturity	30 June 2021		30 June 2020	
				Face Value	Carrying Amount	Face Value	Carrying Amount
Convertible Notes	AUD	6%	2021	-	-	3,003,900	2,958,382

### Convertible Notes

	Consolidated	
	2021	2020
	<b>\$</b>	<b>\$</b>
Opening balance of financial liability	2,952,174	1,534,997
Proceeds from issue	-	1,400,000
Capitalisation of accrued interest	288,410	17,177
Conversion of Convertible Notes to 22,238,396 (post consolidation) ordinary shares	(3,240,584)	-
Less: gain on the fair value movement of derivative liability	-	-
<b>Carrying amount of financial liability</b>	<b>-</b>	<b>2,952,174</b>
Opening balance of embedded derivative	6,208	51,726
Movement in fair value	(6,208)	(45,518)
Conversion to equity	-	-
<b>Carrying amount of embedded derivative</b>	<b>-</b>	<b>6,208</b>
<b>Total Carrying value</b>	<b>-</b>	<b>2,958,382</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (continued)

## 14. LOANS AND BORROWINGS (continued)

### Convertible Notes (continued)

#### Conversion terms:

The convertible note carried a fixed coupon rate of 6%. The convertible note, including accrued interest, mandatorily converted in September 2020 as a result of a qualified financing occurring. The qualified financing in this case was the company raising proceeds of not less than \$5,000,000. The conversion took place at a discount of 27% to the 10 cent share price (pre-consolidation) at the time.

The carrying amount of the host contract (financial liability) on initial recognition is the difference between the carrying amount of the hybrid instrument and the fair value of the embedded derivative. The embedded derivative is measured at fair value through profit or loss. Subsequent to initial recognition the derivative is measured at fair value through profit or loss. The valuation methodology used for the derivative component was the Black Scholes Model. The assumptions used in the valuation are 1) Risk Free Rate is equal to 0.203% 2) The volatility is unchanged at 100% 3) The principal of the note is \$3,000,000 and 4) Conversion date equals 31 December 2020.

## 15. EMPLOYEE BENEFITS

	Consolidated	
	2021	2020
<b>Current</b>	<b>\$</b>	<b>\$</b>
Accrued salary and wages	-	15,000
Accrued bonus	338,730	-
Superannuation	12,876	7,551
Liability for annual leave	82,787	30,610
Liability for long service leave	152,478	116,918
	<b>586,871</b>	<b>170,079</b>

## 16. CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves

### Consolidated and the Parent Entity

Ordinary Shares	Number of Shares		Amount \$	
	2021	2020	2021	2020
On Issue at 1 July	130,238,789	130,238,789	61,006,378	61,006,378
Issued via Placement	57,000,000	-	5,700,000	-
Issued via convertible note conversion	44,476,598	-	3,246,791	-
<b>Total ordinary shares pre share consolidation</b>	<b>231,715,387</b>	<b>-</b>	<b>69,953,169</b>	<b>-</b>
<b>Total ordinary shares post 1:2 consolidation</b>	<b>115,857,724</b>	<b>-</b>	<b>69,953,169</b>	<b>-</b>
Issued via Public Offer	15,000,000	-	3,000,000	-
Capital raising costs	-	-	(1,047,989)	-
<b>On issue at 30 June - fully paid</b>	<b>130,857,724</b>	<b>130,238,789</b>	<b>71,905,180</b>	<b>61,006,378</b>

- Shares in the Company were consolidated on a one for two basis in October 2020.
- The total shares post consolidation is not exactly half of the pre consolidation total due to rounding of uneven share holdings.

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 general meetings of the Company.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (continued)

## 16. CAPITAL AND RESERVES (continued)

### Equity Option Reserve

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

	Number of options		Amount	
	2021	2020	2021 \$	2020 \$
On issue at 1 July	-	-	200,000	200,000
Issued to lead manager of Public Offer	3,000,000	-	250,216	-
On issue at 31 December	3,000,000	-	450,216	200,000

### Equity compensation Reserve

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

	Number of options		Amount	
	2021	2020	2021 \$	2020 \$
On issue at period beginning	17,605,000	17,407,000	1,440,525	1,253,399
Options on issue post consolidation	8,802,500	N/A	1,440,525	N/A
Issued as compensation	7,117,500	2,071,000 <sup>1</sup>	390,483	187,126
Exercise of share options	-	-	-	-
Cancelled options	(5,452,500)	-	-	-
Lapsed options	(1,094,000)	(1,873,000) <sup>1</sup>	-	-
On issue at period end	9,373,500	17,605,000 <sup>1</sup>	1,831,008	1,440,525
<b>Total Reserve at period end</b>	<b>12,373,500</b>	<b>17,605,000<sup>1</sup></b>	<b>2,281,224</b>	<b>1,640,525</b>

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

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

### Options issued during the period

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

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

No options were exercised for the year ended 30 June 2021. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (continued)

## 16. CAPITAL AND RESERVES (continued)

### Earnings per Share

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

	2021	2020
<b>Net loss</b>	(\$6,873,646)	(\$3,625,762)
Weighted average number of ordinary shares	111,923,137	65,119,395
<b>Basic EPS (cents per share)</b>	<b>(6.14)</b>	<b>(5.57)</b>
<b>Diluted EPS (cents per share)</b>	<b>(6.14)</b>	<b>(5.57)</b>

Dilutive earnings per share is the same as Basic earnings per share as potential ordinary shares shall be treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

The comparative weighted average number of ordinary shares has been restated for the 1:2 share consolidation which occurred during the 2021 financial year.

## 17. NOTES TO THE STATEMENT OF CASHFLOW

### 17a. RECONCILIATION OF CASH

	Note	Consolidated	
		2021	2020
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:		\$	\$
Cash on hand and at bank	11	3,421,881	1,357,647

### 17b. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Consolidated	
	2021	2020
Cash flows from operating activities	\$	\$
Loss for the period	(6,873,646)	(3,625,762)
<i>Adjustments for:</i>		
Interest received and foreign exchange differences - classified as investing activity and movement in cash	2,399	(43,789)
Derivative instrument gain/(loss)	45,608	(45,519)
Depreciation	147,979	162,359
Equity settled share based payment expense	640,699	187,126
<b>Operating loss before changes to working capital</b>	<b>(6,036,961)</b>	<b>(3,365,585)</b>
Decrease/(Increase) in trade and other receivables and prepayments	(1,731,058)	71,632
Increase in payables and employee benefits	1,974,257	1,194,889
<b>Net cash used in operating activities</b>	<b>(5,793,762)</b>	<b>(2,099,064)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (continued)

## 18. AUDITOR'S REMUNERATION

	Consolidated	
	2021	2020
<b>a. Audit Services</b>		
Auditors of the Company	\$	\$
KPMG Australia		
- Audit of the annual financial report	53,583	28,866
- Review of half year financial statements	32,096	19,362
	<b>85,679</b>	<b>48,228</b>
<b>b. Non-Audit Services</b>		
	\$	\$
KPMG Australia		
- Investigating Accountant for public offer of shares	108,675	-
	<b>108,675</b>	<b>-</b>

## 19. 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:

	Note	Consolidated	
		2021	2020
		\$	\$
Trade and other receivables	11	110,135	215,528
R&D Tax Incentive - ATO	11	3,661,103	1,907,568
Cash on hand and at bank	10	3,421,881	1,357,647
		<b>7,193,119</b>	<b>3,480,743</b>

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

### Impairment Losses

The Group has receivables past due of \$NIL (2020: \$NIL) and no impairment losses have been recognised (2020: \$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 \$3,880,715 (2020: \$3,523,216) (notes 13 and 15), which are payable in cash and have a maturity of less than 6 months. Long Service leave current liability (also included in Note 15) totals \$152,478 (2020: \$116,918).

The Group have a non-current liability owing to La Trobe University of \$1,616,758 that is payable in December 2022. The Group also has a US Government, Small Business Administration Payroll Protection Program loan as part of the US government Covid 19 program. The loan originally totalled AUD \$63,911 part of which has been forgiven. The balance remaining is AUD \$31,996 to be repaid within 2 years.

There are currently NIL term deposits.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (continued)

## 19. FINANCIAL INSTRUMENTS (continued)

### Currency risk

At 30 June 2021, there were no receivables of another currency, and payables of EUR 119,713 (2020: EUR 117,925), USD \$28,959 (2020: USD \$472), GBP 82,597 (2020: GBP NIL) and NZD \$151,803 (2020: NZD NIL). Of the cash on hand at 30 June 2021, the Group held a combined USD \$383,763 within a NAB and Bank of America USD denominated account (AUD \$505,816) (2020: USD \$25,645; AUD equivalent of \$36,761), GBP 465,491 (AUD \$849,684) and EUR 335,630 (AUD \$526,075). The GBP and EUR denominated accounts were opened in November 2020.

### 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 2021 was 0.05% (2020: 0.85%).

### Fixed rate instruments

There were no term deposits during the year ended June 2021, or the year prior.

### Variable rate instruments

In respect of cash at bank a 100 basis points increase in interest rates would have decreased the loss by \$31,841 (2020: \$15,918). A 100 basis points decrease in interest rates would have increased the loss by \$31,841 (2020: \$15,918).

### 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 2021.

### Fair value hierarchy

No financial instruments are carried at fair value at 30 June 2021, however, as noted above the carrying amounts approximate fair value in respect of financial assets and liabilities.

## 20. 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.

## 21. 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

Mr Michael Aldridge, Chief Executive Officer

Dr. Nicole van der Weerden, Chief Operating Officer

Professor Marilyn Anderson, Chief Science Officer

#### Non-Executive Directors

Dr. John Bedbrook (retired 22 September 2020)

Mr GF Dan O'Brien (retired 22 September 2020)

Mr Justin Yap

Mr Scott Robertson

Mr Steven Skala AO (alternate director appointed 10<sup>th</sup> March 2020)

#### Executives

Ms Helen Molloy, Company Secretary

Dr Peter Welburn (appointed as Chief Development Officer 1 October 2020)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (continued)

## 21. RELATED PARTIES (continued)

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

	Consolidated	
	2021	2020 (Restated)
	\$	\$
Short term employee benefits	1,851,773	1,038,121
Post employment benefits	44,212	33,162
Share based payments	362,834	169,075
	<b>2,258,819</b>	<b>1,240,538</b>

For consistency of information, comparative numbers have been changed to include La Trobe payments.

### Individual Directors and Executive compensation disclosures

Steven Skala and Jonathan West each received \$100,000 as they performed duties over and above that expected from a non-executive director in the lead up to the \$5million placement that occurred in September 2020.

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.

### 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:

2021	Held at 1 July 2020	Options post share consolidation	Cancelled	Granted as compensation	Expired/Lapsed	Held at 30 June 2021	Vested during the period	Vested and exercisable at 30 June 2021
<b>Directors</b>								
Jonathan West	3,000,000	1,500,000	(1,500,000)	1,000,000	-	1,000,000	-	-
Nicole van der Weerden	1,500,000	750,000	(250,000)	1,150,000	-	1,650,000	125,000	500,000
Marilyn Anderson AO	250,000	125,000	-	125,000	-	250,000	62,500	125,000
John Bedbrook <sup>(4)</sup>	2,500,000	1,250,000	-	-	(750,000)	500,000	125,000	500,000
G F Dan O'Brien <sup>(4)</sup>	1,250,000	625,000	-	-	(125,000)	500,000	125,000	500,000
Justin Yap <sup>(1)</sup>	625,000	312,500	(312,500)	312,500	-	312,500	-	-
Scott Robertson	1,350,000	675,000	(675,000)	312,500	-	312,500	-	-
Michael Aldridge	5,000,000	2,500,000	(2,500,000)	2,750,000	-	2,750,000	-	-
Steven Skala AO <sup>(2)</sup>	250,000	125,000	(125,000)	125,000	-	125,000	-	-
<b>Key Management</b>								
Peter Welburn <sup>(3)</sup>	-	-	-	650,000	-	650,000	-	-
Helen Molloy	75,000	37,500	(30,000)	217,500	-	225,000	-	7,500
	<b>15,800,000</b>	<b>7,900,000</b>	<b>(5,392,500)</b>	<b>6,642,500</b>	<b>(875,000)</b>	<b>8,275,000</b>	<b>437,500</b>	<b>1,632,500</b>

1. A related party of Justin Yap holds 14,715,790 shares.
2. Steven Skala is an alternate director for Scott Robertson, appointed 10 March 2020
3. Peter Welburn was appointed Chief Development Officer 1 October 2020
4. John Bedbrook and G F Dan O'Brien retired as directors on 22 September 2020

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (continued)

## 21. RELATED PARTIES (continued)

### Options and rights over equity instruments (continued)

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
<b>Directors</b>							
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 <sup>(2)</sup>	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 <sup>(1)</sup>	1,100,000	-	-	250,000	-	1,350,000	350,000
M Aldridge <sup>(1)</sup>	5,000,000	-	-	-	-	5,000,000	1,250,000
S Skala <sup>(3)</sup>	-	-	-	-	250,000	250,000	250,000
<b>Key Management</b>							
H Molloy <sup>(1)</sup>	-	-	(16,000)	60,000	31,000	75,000	75,000
	<b>15,315,000</b>	<b>-</b>	<b>(1,281,000)</b>	<b>1,610,000</b>	<b>156,000</b>	<b>15,800,000</b>	<b>8,425,000</b>

1. Scott Robertson was appointed a Director on 21 November 2018, and Michael Aldridge appointed on 21 May 2019. Helen Molloy was appointed sole Company Secretary on 21 November 2020.
2. Elisha Larkin departed the Company on 21 November 2019.
3. Steven Skala was appointed as Alternate Director on 10 March 2020.

### 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:

2021	Held at 1 July 2020	Pre consolidation CN conversion, Placement and Purchases	Pre consolidation Transfer	Shares held post Consolidation	Post Consolidation Purchases	Held at 30 June 2021
<b>Directors</b>						
Jonathan West	4,000,000	2,000,000	-	3,000,000	-	3,000,000
Marilyn Anderson AO	4,061,096	500,000	-	2,280,548	-	2,280,548
Nicole van der Weerden	214,400	75,000	-	144,700	-	144,700
John Bedbrook <sup>(3)</sup>	500,000	-	-	250,000	-	250,000
G F Dan O'Brien <sup>(3)</sup>	15,035,894	15,282,811	(1,000,000)	14,659,353	280,000	14,939,353
Justin Yap <sup>(1)</sup>	-	-	-	-	-	-
Scott Robertson	-	-	-	-	-	-
Michael Aldridge	-	-	-	-	-	-
Steven Skala AO <sup>(2)</sup>	6,667,947	4,292,109	-	5,480,029	-	5,480,029
<b>Key Management</b>						
Peter Welburn <sup>(4)</sup>	-	-	-	-	-	-
Helen Molloy	32,000	125,000	-	78,500	-	78,500
	<b>30,511,337</b>	<b>22,274,920</b>	<b>(1,000,000)</b>	<b>25,893,130</b>	<b>280,000</b>	<b>26,173,130</b>

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (continued)

## 21. RELATED PARTIES (continued)

### Movement in shares (continued)

2020	Held at 1 July 2019	Net movement other	Purchases	Received on exercise of options	Sales	Held at 30 June 2020
<b>Key Management Personnel</b>						
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
Justin Yap	-	-	-	-	-	-
Scott Robertson*	-	-	-	-	-	-
Michael Aldridge*	-	-	-	-	-	-
Steven Skala***	-	6,667,947	-	-	-	6,667,947
Helen Molloy*	-	32,000	-	-	-	32,000
	<b>23,926,532</b>	<b>6,584,805</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,511,337</b>

\*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.

\*\*\*Steven Skala was appointed as Alternate Director on 10 March 2020.

### 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 2021, amounts (including GST) totalling \$4,227,350 (2020: \$3,825,043) 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 2021 were \$3,621,075 (exclusive of GST) (2020: \$2,419,228).

## 22. OPERATING LEASES

### Leases as lessor

Lease rentals are receivable as follows:

	2021	2020
	\$	\$
Less than one year	396,180	391,868
Between one and five years	297,135	685,832
	<b>693,315</b>	<b>1,077,700</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (continued)

## 23. GROUP ENTITIES

Parent Entity	Country of incorporation	Ownership Interest	
		2021	2020
Hexima Limited	Australia		
<b>Significant subsidiaries</b>			
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 2021.

Hexima Holdings Pty Ltd is incorporated in Australia and is a 100% owned subsidiary of the Company. Hexima Holdings Pty Ltd has net assets totalling \$998,032 at 30 June 2021, 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 net assets totalling \$84,027 as at 30 June 2021.

## 24. PARENT ENTITY DISCLOSURES

	Company	
	2021	2020
	\$	\$
<b>Result of the Parent Entity</b>		
Loss for the period	(6,895,787)	(3,817,835)
Other Comprehensive income	-	-
<b>Total Comprehensive loss for the period</b>	<b>(6,895,787)</b>	<b>(3,817,835)</b>
<b>Financial Position of the Parent entity at year end</b>		
Current assets	7,331,676	3,595,983
<b>Total assets</b>	<b>8,461,705</b>	<b>4,871,569</b>
Current liabilities	3,883,380	6,553,716
Non-current liabilities	1,616,758	-
<b>Total liabilities</b>	<b>5,500,138</b>	<b>6,553,716</b>
<b>Total equity of the Parent entity comprising of:</b>		
Share capital	71,905,180	61,006,378
Reserves	2,281,224	1,640,525
(Accumulated losses)	(71,224,837)	(64,329,050)
<b>Total Equity / (Deficiency in equity)</b>	<b>2,961,567</b>	<b>(1,682,147)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (continued)

## 25. SUBSEQUENT EVENTS

In July 2021, the Group entered into negotiations to sell the glasshouse asset, surrender the lease for the land on which the glasshouse is constructed with the intention to utilize the proceeds to settle payables.

In July 2021, the Board resolved to issue 1,792,000 options to KMP and other personnel. 1,643,000 of these options were issued to Directors and are subject to shareholder approval.

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 2021.

## 26. 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.

### (a) 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.

#### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (continued)

## 26. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Financial Instruments (continued)

#### (ii) Classification and subsequent measurement (continued)

##### Financial assets (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 which are contingently convertible to ordinary shares in the event of a qualifying financing occurring. As the notes are repayable in cash on the event of a qualifying sale taking place, or on an insolvency event, and also contain a contingent conversion feature they represent a hybrid instrument. The notes were categorised as a financial liability and are recognised on initial recognition as the difference between the carrying amount of the hybrid instrument and the fair value of the embedded derivative and subsequently the financial liability component is measured at amortised cost. The conversion feature represents an embedded derivative which is not closely related to the host notes and therefore are separated on initial recognition at their fair value and are subsequently recognised at fair value through profit or loss. The value and number of shares to be issued is dependent on the event triggering the conversion.

The carrying amount of the host contract (financial liability) on initial recognition is the difference between the carrying amount of the hybrid instrument and the fair value of the embedded derivative. The embedded derivative is measured at fair value through profit or loss. Subsequent to initial recognition the derivative is measured at fair value through profit or loss. The valuation methodology used for the derivative component was the Black Scholes Model. The assumptions used in the valuation are 1) Risk Free Rate is equal to 0.203% 2) The volatility is unchanged at 100% 3) The principal of the note is \$3,000,000 and 4) Conversion date equals 31 December 2020.

The conversion occurred on a qualified financing occurring in the current financial year.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any Interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

###### Equity investments at FVOCI

These assets 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (continued)

## 26. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Financial Instruments (continued)

#### (iii) Derecognition (continued)

##### 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.

#### (v) 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.

### (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:

	2021	2020
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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (continued)

## 26. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (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 2021; 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.

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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (continued)

## 26. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Impairment (continued)

#### (i) Non-derivative financial assets (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, income and government grants

#### Revenue

Performance obligations and revenue recognition policies:

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.

#### Lease income

Refer accounting policy note 26(n)

#### Government grants

The Group recognises an unconditional government grant as other income when the grant becomes receivable.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expense are recognised, unless conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

### (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (continued)

## 26. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (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.

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.

The Group receives refundable R&D tax incentives administered through the taxation system. These incentives, as refundable, have been accounted for as a government grant within the scope of AASB 120 – refer to the accounting policy disclosed in note 26(f).

### (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. The Group employs a US-based CEO and approximately 10% of the Groups expenses are incurred in the USA

### (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (continued)

## 26. 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

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.

#### (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'.

The Group owns a glasshouse located at La Trobe university which it leases to a third party.

#### (o) Investment Property

Investment property is initially and subsequently measured at cost. Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit and loss. Rental income earned from investment property is recognised in profit and loss. Subsequent expenditure is capitalised 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.

#### (p) New standards and interpretations not yet adopted

##### • Other Standards

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- COVID 19 Related rent concessions (Amendment to IFRS 16)
- Property, Plant and Equipment: Proceeds before intended use (Amendments to IAS 16)
- Reference to conceptual framework (Amendments to IFRS 3)
- Classification of liabilities as current or non-current (Amendments to IAS 1)
- IFRS 17 Insurance contracts and amendments to IFRS 17 Insurance contracts
- Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The Group determines that there is no impact of adopting the above standards.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 (continued)

## 27. 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. The Group has bank accounts in all 3 currencies with the National Australia Bank and a US dollar bank account with the Bank of America. At 30 June 2021, there were receivables of \$NIL and payables of \$521,591 denominated in foreign currencies (2020 receivable: \$NIL, payable: \$270,125). At 30 June 21 the Group had US \$383,763 in the two group US dollar denominated bank accounts, GBP 465,491 and EUR 335,630.

#### Interest rate risk

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021 *(continued)*

## 27. 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**

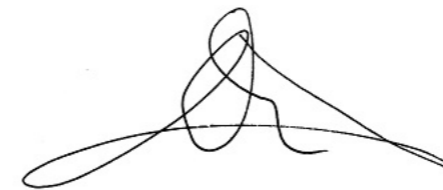
The Board's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. As the Group is a development stage business, the Board of Directors monitors the Group's performance with particular regard to the progress 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.

# 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 31 to 62, 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 2021 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 26<sup>th</sup> day of August 2021



**Professor Jonathan West**  
Non-Executive Chairman



**Mr Michael Aldridge**  
Managing Director and Chief Executive Officer

# Independent Auditors Report



## Independent Auditor's Report

To the shareholders of Hexima Limited

### Report on the audit of the Financial Report

#### 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 2021 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 2021
- *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.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of Hexima Limited, would be in the same terms if given to the Directors as at the time of this Auditor's Report.

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# Independent Auditors Report (continued)



#### Material uncertainty related to going concern

We draw attention to Note 2(e), "Going concern" in the Financial Report. The conditions disclosed in Note 2(e), 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.

#### Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the Key Audit Matter.

#### Government grants – R&D tax incentive \$3,657,085

Refer to Note 4(c) of the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>The Group assesses their research and development (R&amp;D) activities and related expenditures for eligibility for a refundable tax offset under an Australian Government tax incentive.</p> <p>Amounts recorded as income are a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• the significant size of the R&amp;D tax incentive recognised in the profit or loss and the corresponding amount receivable to the Group's financial position as at 30 June 2021; and</li> <li>• the significant judgement required by the Group in determining the eligibility of their R&amp;D expenditure under the incentive scheme.</li> </ul> <p>The Group was assisted by an expert with their assessment of the eligibility of expenses underlying their claim.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• Checking the R&amp;D tax incentive income recognised by the Group to the R&amp;D tax incentive calculation prepared by management's expert;</li> <li>• Checking a sample of expenditure upon which the claim is based, to underlying documentation, such as invoices and payroll records;</li> <li>• Involving our tax specialists we assessed the eligibility of a sample of the expenditure underlying the Group's R&amp;D tax incentive claim and the accuracy of the tax incentive calculation against current R&amp;D tax legislation and guidance material issued by the legislators; and</li> <li>• Assessing the classification of the R&amp;D tax incentive income and associated disclosures in the financial statements using our understanding obtained from our testing and against the requirements of accounting standards.</li> </ul>



# Independent Auditors Report (continued)



We focused on the assessment performed by the Group and their expert in determining the incentive scheme eligibility of the R&D expenditure underlying the Group's claim, as their basis of measuring the amount of the R&D tax incentive income and corresponding receivable.

We involved tax specialists to supplement our senior audit team members in assessing this key audit 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, with the exception of the Remuneration Report and our related assurance opinion.

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.

# Independent Auditors Report (continued)



## 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:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf). This description forms part of our Auditor's Report.

## Report on the Remuneration Report

### Opinion

In our opinion, the Remuneration Report of Hexima Limited for the year ended 30 June 2021, complies with *Section 300A of the Corporations Act 2001*.

### Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A of the Corporations Act 2001*.

### Our responsibilities

We have audited the Remuneration Report included in pages 22 to 27 of the Directors' report for the year ended 30 June 2021.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG  
KPMG

Adrian Nathanielsz

Partner

Melbourne

27 August 2021

# Lead Auditor's Independence Declaration



## 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 2021 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

Adrian Nathanielsz

Partner

Melbourne

26 August 2021

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# Corporate Directory

## Directors

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

## Company Secretary

Ms Helen Molloy

## Registered Office

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

## Share Registry

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

## Auditor

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

## Stock Exchange

Australian Securities Exchange Ltd

## ASX code

HXL

