

# HEXIMA LIMITED

# ASX ANNOUNCEMENT



30 September 2022

## ANNUAL REPORT

MELBOURNE, AUSTRALIA (30 September 2022): Hexima Limited (ASX:HXL) provides the attached Annual Report for the year ended 30 June 2022.

**This announcement is authorised for release to ASX by Board of Hexima Limited.**

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**Hexima Limited**

# **FINANCIAL REPORT**

**For the year ended 30 June 2022**

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# CORPORATE DIRECTORY

## Directors

Dr Nicole van der Weerden	Acting Chief Executive Officer and Executive Director
Prof Jonathan West	Non-Executive Chairman
Mr Michael Aldridge	Non-Executive Director
Mr Justin Yap	Non-Executive Director
Mr Scott Robertson	Non-Executive Director
Mr Jason (Jake) Nunn	Non-Executive Director
Mr Steven Skala AO	Alternate Non-Executive Director

## Company Secretary

Ms Leanne Ralph

## Registered Office

Hexima Limited  
Corporate One, 84 Hotham Street  
Preston Victoria 3072 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

# CORPORATE DIRECTORY

The Corporate Governance Statement is current at 30 June 2022 and can be found on the Company's website:

<https://hexima.com.au/investor-centre/corporate-governance/>

The Corporate Governance statement was approved by the Board of Directors 21st September 2022.

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# DIRECTORS' REPORT

The Directors present their report together with the financial report of Hexima Limited ("the Company" or "Hexima") and of the Group, being the Company and its subsidiaries for the financial year ended 30 June 2022 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 Cobram Estate Olives Limited and the Tasmanian Artisans Collection.

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. Mr Aldridge stepped down from his role as Chief Executive Officer and Managing Director on 1 August 2022 but remains a Non-Executive Director.

**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

# DIRECTORS' REPORT

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. As of 1 August 2022, Dr. van der Weerden assumed the role of Acting Chief Executive Officer.

**Professor Marilyn Anderson AO BSc (Hons) (The University of Melbourne), PhD (La Trobe 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.

Professor Anderson had been a Director of the Company since 23 November 2010. Professor Anderson retired from the Board on 2 December 2021.

**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. He is a member of the Remuneration and Nomination Committee and the Audit and Risk Management Committee.

Mr Yap has been a Director since 17 July 2018.

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

*Non-Executive Director*

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

Mr Robertson has been a Director since 21 November 2018, and is a member of the Audit and Risk Management Committee and Chairman of the Remuneration and Nomination Committee.

**Jason (Jake) Nunn AB (Economics, Dartmouth College), MBA (Stanford Graduate School)**

*Non-Executive Director*

Mr. Nunn has more than 25 years' experience in the life science industry as an investor, independent director, research analyst and investment banker. He is currently an independent advisor to several life science companies and a venture advisor at New Enterprise Associates (NEA), where he was an investing partner from 2006 to 2018 focused on the biopharmaceutical and medical technology sectors. Based in Menlo Park, California, Mr Nunn founded NEA's

# DIRECTORS' REPORT

public market healthcare investing practice in 2006 and led NEA to become one of the most active anchor investors in small-cap public biopharma special situations/PIPE investing over the last decade, investing over US\$600 million. Prior to NEA, Mr Nunn was Partner at MPM Capital, South San Francisco, California. Mr. Nunn is a director of public companies Regulus Therapeutics Inc, Oventus Medical Ltd, Trevena Inc, and Addex Therapeutics Ltd. He was previously a director of several companies in the pharmaceutical sector including Dermira Inc. (acquired by Eli Lilly) and Hyperion Therapeutics (acquired by Horizon Pharma plc).

Mr Nunn was appointed Director 1 September 2021.

**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.

**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.

**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 and 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.

# DIRECTORS' REPORT

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.

## Key Management

### **Ms Leanne Ralph – Company Secretary**

Ms Ralph was appointed as Company Secretary 6 October 2021. She is an experienced Company Secretary with over 15 years in this field, and holds this position for a number of ASX-listed entities. Ms Ralph is a fellow of the Governance Institute of Australia and a Graduate Member of the Australian Institute of Directors.

### **Dr Nancy Sacco – Chief Development Officer**

Dr Sacco was appointed Chief Development Officer 2 December 2021. Prior to this appointment, Dr Sacco held Vice President and Head of Clinical Development roles at Xentria, Inc. and AnaptysBio, Inc., overseeing programs with monoclonal antibodies for rare and dermatologic diseases. In addition, Dr Sacco held executive leadership positions at Revance Therapeutics, Inc. and Avaxis, Inc (now Novartis), overseeing clinical operations including the initiation and completion of pivotal studies evaluating safety and efficacy of innovative products (proprietary neurotoxin Daxibotulinum and AVV9 gene therapy ZolgenSMA, respectively). Dr Sacco has also held roles of increasing responsibilities at P&G Healthcare (Actonel), Pfizer (Lyrica), Astellas (Myrbetriq and Xtandi) and Takeda (Rozerem and ACTOS).

### **Phillip Rose – Chief Commercial Officer**

Mr. Rose has over 30 years of leadership experience in the pharmaceutical industry, including President and CEO of the dermatology focused Obagi Medical Products, Vice President and General Manager of North America for Valeant (now Bausch Healthcare Companies) as well as Vice President Hospital Sales at Glaxo, Inc. (now GSK). In addition, Mr Rose is a licensed and practicing Pharmacist. Mr. Rose has served as a commercial consultant to the pharmaceutical industry and prior clients include Alza Corporation (now J&J), Reliant Pharmaceuticals (now GSK), Peplin, Inc. the developer of Picato (now LEO).

Mr Rose was a consultant for the company from September 2020 until his appointment as Chief Commercial Officer 4 January 2022. Mr Rose ceased to be an employee of Hexima from 1 July 2022.

**Ms Helen Molloy – Financial Controller** - 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 12 years and was company secretary for the Group between November 2019 and October 2021.

**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 had been a consultant for the company since 30 April 2019 until his appointment as Chief Development Officer on 1 October 2020. On 2 December 2021, Mr Welburn stepped down from his role as Chief Development Officer but remained a consultant for the company until 15 August 2022.

# DIRECTORS' REPORT

## Directors' Meetings

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

	BOARD MEETINGS		AUDIT AND RISK MANAGEMENT COMMITTEE		REMUNERATION AND NOMINATION COMMITTEE	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
Jonathan West	8	8	2	2	1	1
Marilyn Anderson (2)(3)	5	5	1	1	-	-
Nicole van der Weerden (2)	8	8	2	2	-	-
Scott Robertson	8	7	2	2	1	1
Justin Yap	8	8	2	2	1	1
Michael Aldridge (2)	8	8	2	2	1	1
Jason (Jake) Nunn (4)	6	6	1	1	-	-
Steven Skala (1)	8	5	1	1	-	-

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

(2) Attended Committee meetings by invitation

(3) Retired from Board December 2021

(4) Appointed to Board September 2021

# DIRECTORS' REPORT

## 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 was being developed for treatment of fungal nail infections (onychomycosis). Hexima's principal activities in 2021-2022 included the conduct of Hexima's phase IIb clinical trial at sites in Australia and New Zealand.

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

## OPERATING AND FINANCIAL REVIEW OF THE GROUP

### Financial performance

	2022	2021
	\$	\$
Revenue and other income	5,810,708	4,163,529
Results from operating activities	(9,904,715)	(6,825,639)
Net financing expense	(113,765)	(48,007)
Loss on disposal of asset	(2,281)	-
Net loss after tax attributable to members	(10,020,761)	(6,873,646)
Dividends	NIL	NIL

### Review of operations

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

#### *Phase IIb clinical trial*

In June 2022, Hexima reported results from its phase II clinical trial for pezadeftide as a treatment for onychomycosis (HXP124-ONY-002). HXP124-ONY-002 was designed and conducted as a multi-centre, randomized, double-blind, vehicle-controlled study to investigate the efficacy, safety and tolerability of pezadeftide (HXP124) in three dosing cohorts in patients with mild to moderate onychomycosis.

Pezadeftide was well-tolerated and safe in all three dosing cohorts. The summary of efficacy as at week 40 is shown in the table below. These endpoints are the pre-defined efficacy parameters in the phase II study and are as defined by FDA. There was no consistent effect observed in pezadeftide-treated patients at week 40 compared to vehicle-treated, with the best efficacy results observed in Cohort 2.

# DIRECTORS' REPORT

Efficacy Endpoint	Cohort 1		Cohort 2		Cohort 3	
	Vehicle (N=9)	HXP124 (N=26)	Vehicle (N=7)	HXP124 (N=26)	Vehicle (N=9)	HXP124 (N=27)
Mycological cure (%)	0	3 (11.5%)	0	5 (19.2%)	1 (11.1%)	2 (7.4%)
Complete or almost complete cure (%)	0	0	0	1 (4.0%)	1 (11.1%)	0
Clinical efficacy (%)	0	0	1 (14.3%)	4 (15.4%)	1 (11.1%)	1 (3.7%)
Complete cure (%)	0	0	0	0	0	0

- Mycological cure : Negative fungal culture and negative fungal microscopy
- Complete or almost complete cure: <5% toenail still affected and Mycological cure
- Clinical efficacy : <10% toenail still affected
- Complete cure : 100% clear toenail and Mycological cure

These data provide evidence of modest activity of pezadeftide in the treatment of onychomycosis, an observation generally supported by a post hoc and blinded review of the clinical appearance of the treated nails conducted by an independent clinician, a member of Hexima's Scientific Advisory Board. However, after careful consideration Hexima does not believe the data support the Company's goal of developing a safe, more effective and convenient topical therapy with a shorter course of treatment.

#### ***Investigational New Drug Application with FDA***

In June 2022, Hexima filed an Investigational New Drug Application (IND #142947) with FDA to initiate a Phase I clinical trial in the US to evaluate the safety of pezadeftide in a maximal use setting. This IND is now open.

#### **Review of financial condition**

The Group had net cash outflows from operating activities of \$9,757,819 for the year ended 30 June 2022, compared with \$5,793,762 for the prior year. The variance in the most part resulted from the increased expenditure relating to the manufacturing development of pezadeftide and preparations for a phase III clinical trial. Revenue has increased in line with 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 \$10,020,761 for the year ended 30 June 2022. A loss after tax of \$6,873,646 was recorded for the previous financial year.

#### ***Financial position***

Hexima has cash and short-term receivables of \$10,170,860 at 30 June 2022 (2021: \$7,445,019).

#### ***Change in capital structure***

During the reporting period, Hexima completed a two-tranche placement and Share Purchase Plan (SPP) to raise a total of \$11 million at \$0.32 per share. A total of 34,375,317 new shares were issued. In January 2022, 1,394,088 new shares were issued to settle an outstanding debt of \$571,576.

#### **Significant changes in the state of affairs**

During the reporting period, Hexima completed a two-tranche placement and Share Purchase Plan (SPP) to raise a total of \$11 million at \$0.32 per share. A total of 34,375,317 new shares were issued.

In June, Hexima received the results of its phase II clinical trial (HXP124-ONY-002) assessing pezadeftide as a topical treatment for onychomycosis. The results seen in this study did not correlate with results observed in its prior phase I study (HXP124-ONY-001) and did not support moving into a phase III program with pezadeftide. Accordingly, Hexima intends to wind down its development program of pezadeftide for the treatment of onychomycosis in an orderly fashion, and will make no further significant investment.

There were no other significant changes in the state of affairs of the Group that occurred during the financial year ended 30 June 2022.

# DIRECTORS' REPORT

## DIVIDENDS

The Company has not paid or declared any dividends during or since the end of the financial year ended 30 June 2022.

## EVENTS SUBSEQUENT TO REPORTING DATE

As a consequence of the clinical trial results for pezadeftide, Hexima has commenced a process of winding down its research and development activities for pezadeftide. Hexima's contracts with its major research service providers have been, or are being, terminated and all non-essential employees have been made redundant.

In line with the Company's decision to wind-down its pezadeftide program and manage expenses, Hexima's Chief Executive Officer, Mr Michael Aldridge, resigned from his executive role on 2 August 2022. Hexima's Chief Operating Officer, Dr Nicole van der Weerden, assumed the role of Acting Chief Executive Officer. Mr Aldridge continues as a Non-Executive Director of the Company.

Hexima has reached in principle agreement with La Trobe University to sell the Hexima glasshouse facility and various laboratory plant and equipment in exchange for a reduction in Hexima's outstanding liabilities to La Trobe University totalling \$980,000. Hexima also retains the rights to the quarterly lease payments until March 2023 valued at a further \$205,023.

Following the steps that have been taken to date, Hexima expects to have cash and receivables of between \$2.0 and \$2.6M, and no other material tangible assets or liabilities, once current operations are finalised in Q4 2022. This includes Hexima's FY2023 R&D Tax Incentive rebate receivable of approximately \$0.5M.

Other than the matters noted above, there have been no events subsequent to the balance date which would have a material effect on the Group's financial statements as at 30 June 2022.

## ENVIRONMENTAL REGULATION

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

# DIRECTORS' REPORT

## 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
Nicole van der Weerden	394,700	1,394,000
Justin Yap (1)	-	536,500
Scott Robertson	-	536,500
Michael Aldridge (2)	-	-
Jason (Jake) Nunn	93,750	536,500
Steven Skala	5,792,529	125,000
<b>Total</b>	<b>9,280,979</b>	<b>4,521,500</b>

1. A related party of Justin Yap holds 17,684,540 shares in the Company.
2. Michael Aldridge previously held 3,272,000 options over shares, which lapsed as of 1 September due to him no longer being an employee of the Company.

## 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
31 December 2022	\$0.40	50,000
1 January 2023	\$0.40	367,500
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	32,500
28 January 2025	\$1.00	250,000
14 October 2030	\$0.20	3,430,000
27 July 2031	\$0.205	1,178,000
1 September 2031	\$0.27	536,500
2 December 2031	\$0.345	600,000
		<b>9,694,500</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.

# DIRECTORS' REPORT

## 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 2022, the Company paid insurance premiums totalling \$156,274 in respect of Directors' and Officers' liability and legal expenses insurance contracts (2021: \$288,850). 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

## 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 2022, key management personnel comprised all Directors, Executives and the Company Secretary

<b>Key Management Personnel</b>	
<b>Directors</b>	
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 (resigned as Director 2 December 2021)	Executive Director and Chief Science Officer
Mr Jason (Jake) Nunn (appointed 1 September 2021)	Non-Executive Director
Mr Steven Skala AO	Alternate Non-Executive Director (for Mr Scott Robertson)
<b>Other Management Personnel</b>	
Dr Peter Welburn	Chief Development Officer (resigned 2 December 2021 remaining as consultant)
Ms Leanne Ralph	Company Secretary
Ms Helen Molloy	Financial Controller
Mr Philip Rose (appointed 4 January 2022)	Chief Commercial Officer
Dr Nancy Sacco	Chief Development Officer (appointed 2 December 2021)

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.

# DIRECTORS' REPORT

## AUDITED REMUNERATION REPORT – (Continued)

### 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 and based on the achievement of operational objectives in the financial year, the Remuneration and Nomination Committee determined that \$319,457 STI would be paid to KMP for the 2021 financial year.

There will be no STI payment for the 2022 financial year.

Long term incentives may be provided as options over the Company's ordinary shares and other securities. Details are provided on pages 18 to 20 of the Directors' Report.

### 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.

Mr Aldridge's position was terminated on 1 August 2022. Mr Aldridge received a severance payment equivalent to 6 months salary as required by his contract.

#### 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.

# DIRECTORS' REPORT

## AUDITED REMUNERATION REPORT – *(Continued)*

### **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.

### **Helen Molloy**

Ms Molloy has an employment contract with the Group as 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.

### **Ms Leanne Ralph**

Ms Ralph was appointed Company Secretary 6 October 2021, and is contracted to the Group via a monthly retainer. Either party may terminate the contract at any time, with written notice of one month required.

### **Mr Philip Rose**

Mr Rose is an employee of the Group and was appointed Chief Commercial Officer on a part time basis on 4 January 2022. The Group or Mr Rose can terminate the employment contract at any time.

### **Dr Nancy Sacco**

Dr Sacco is an employee of the Group and was appointed Chief Development Officer on a part time basis on 2 December 2021. The Group or Dr Sacco can terminate the employment contract at any time.

### **Dr Peter Welburn**

Dr Welburn resigned as an employee of the Group 1 December 2021 and was contracted as a consultant immediately thereafter. Either party can terminate this contract at any time, with written notice of one month required.

### **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

## 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					
<b>Non-executive Directors</b>									
Jonathan West	2022	-	-	-	-	139,045	-	139,045	-
	2021	100,000	-	-	-	86,813	-	186,813	-
John Bedbrook <sup>(2)</sup>	2022	-	-	-	-	-	-	-	-
	2021	-	-	-	-	4,992	-	4,992	-
GF Dan O'Brien <sup>(2)</sup>	2022	-	-	-	-	-	-	-	-
	2021	-	-	-	-	4,992	-	4,992	-
Scott Robertson	2022	-	-	-	-	65,370	-	65,370	-
	2021	-	-	-	-	11,980	-	11,980	-
Justin Yap	2022	-	-	-	-	70,602	-	70,602	-
	2021	-	-	-	-	27,646	-	27,646	-
Jason (Jake) Nunn	2022	-	-	-	-	73,831	-	73,831	-
	2021	-	-	-	-	-	-	-	-
Steven Skala AO <sup>(3)</sup>	2022	-	-	-	-	6,469	-	6,469	-
	2021	100,000	-	-	-	15,806	-	115,806	-
<b>Executive Directors</b>									
Marilyn Anderson AO <sup>(4)</sup>	2022	80,433	1,200	-	-	7,741	3,736	93,110	-
	2021	82,788	1,377	-	12,867	7,203	3,901	108,136	12%
									7%

# DIRECTORS' REPORT

## AUDITED REMUNERATION REPORT – (Continued)

### Directors' and Executive Officers' Remuneration – (Continued)

Nicole van der Weerden <sup>(5)</sup>	2022	359,695	12,448	-	-	79,982	19,266	471,391	-	17%
	2021	317,076	50,582	-	86,800	72,731	15,951	543,140	16%	13%
Michael Aldridge	2022	627,154	33,965	72,832	-	62,273	3,161	799,385	-	8%
	2021	525,166	16,560	63,121	186,000	85,425	-	876,272	21%	10%
<b>Executives</b>										
Leanne Ralph <sup>(6)</sup>	2022									
	2021									
Dr Nancy Sacco <sup>(7)</sup>	2022	103,951	8,386	-	-	-	823	113,160	-	-
	2021	-	-	-	-	-	-	-	-	-
Phillip Rose <sup>(8)</sup>	2022	103,088	8,248	-	-	3,946	950	116,232	-	3%
	2021	-	-	-	-	-	-	-	-	-
Helen Molloy <sup>(9)</sup>	2022	157,173	9,892	-	-	7,639	15,717	190,421	-	4%
	2021	153,689	14,025	-	10,540	12,614	14,600	205,468	5%	6%
Peter Welburn <sup>(10)</sup>	2022	57,784	6,049	-	-	25,647	5,778	95,258	-	27%
	2021	102,740	5,192	-	23,250	32,632	9,760	173,574	13%	20%
<b>Total</b>	<b>2022</b>	<b>1,489,278</b>	<b>80,188</b>	<b>72,832</b>	<b>-</b>	<b>542,545</b>	<b>49,431</b>	<b>2,234,274</b>	<b>-</b>	<b>24%</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>

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

1. The fair value of options is calculated at grant date using the Black-Scholes Pricing model, and 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.
2. John Bedbrook and GF Dan O'Brien retired as Directors 22 September 2020
3. Steven Skala AO is an alternate director for Scott Robertson

# DIRECTORS' REPORT

## AUDITED REMUNERATION REPORT – *(Continued)*

### Directors' and Executive Officers' Remuneration – *(Continued)*

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4. 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 \$93,110 (2021: \$108,136), comprising \$50,036 (2021: \$66,408) paid and payable directly by the Company and \$43,074 (2021: \$41,728) paid by La Trobe University (for services performed for Hexima). La Trobe payments have been included in the Remuneration table above. Professor Anderson is the Chief Science Officer for Hexima Limited and was an Executive Director of the Company until resigning from the Board 2 December 2021.
5. 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 \$471,391 (2021: \$543,140), comprising \$304,358 (2021: \$393,969) paid and payable directly by the Company, and \$167,033 (2021: \$149,171) paid by La Trobe University (for the services performed for Hexima). Dr van der Weerden is the Chief Operating Officer for Hexima Limited as well as an Executive Director of the Company
6. Leanne Ralph was appointed Company Secretary 6 October 2021
7. Dr Nancy Sacco was appointed Chief Development Officer 2 December 2021
8. Phillip Rose was appointed Chief Commercial Officer 4 January 2022 and ceased to be an employee on 30 June 2022.
9. Helen Molloy was replaced in the Company Secretary role 6 October 2021 and continues as the Group Financial Controller
10. Dr Peter Welburn was replaced in the Chief Development Officer role 2 December 2021, and continued as a consultant to the Group until 15 August 2022.

### 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.

# DIRECTORS' REPORT

## AUDITED REMUNERATION REPORT – *(Continued)*

30 June 2022:

	Granted	Exercised	Lapsed	Exercise Price	Grant Date	Vesting period	FV per option at grant date
<b>Jonathan West</b>	393,000			\$0.205	2/12/2021	1 year	\$0.309
<b>Michael Aldridge</b>	522,000			\$0.205	2/12/2021	4 years	\$0.309
<b>Nicole van der Weerden</b>	244,000			\$0.205	2/12/2021	4 years	\$0.309
		250,000		\$0.16	12/02/2017	5 years	\$0.048
			250,000	\$0.16	12/02/2017	5 years	\$0.048
<b>Marilyn Anderson</b>	36,000			\$0.205	2/12/2021	4 years	\$0.309
		125,000		\$0.16	12/12/2017	5 years	\$0.048
<b>Justin Yap</b>	224,000			\$0.205	2/12/2021	1 year	\$0.309
<b>Scott Robertson</b>	224,000			\$0.205	2/12/2021	1 year	\$0.309
<b>Jason (Jake) Nunn</b>	312,500			\$0.27	2/12/2021	3 years	\$0.304
	224,000			\$0.27	2/12/2021	1 year	\$0.304
<b>Steven Skala</b>	-			-	-	-	-
<b>Peter Welburn</b>	65,000			\$0.205	14/09/21	4 years	\$0.333
<b>Helen Molloy</b>	30,000			\$0.205	14/09/21	4 years	\$0.333
<b>Nancy Sacco</b>	600,000			\$0.345	2/12/2021	4 years	\$0.298
<b>Phillip Rose</b>	600,000			\$0.37	31/1/2022	4 years	\$0.3224
<b>Total</b>	<b>3,474,500</b>	<b>375,000</b>	<b>250,000</b>				

# DIRECTORS' REPORT

## AUDITED REMUNERATION REPORT – (Continued)

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 grant date	Expiry Date	Options vested 2021
Jonathan West	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							
Michael Aldridge	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	-
Nicole van der Weerden	250,000	11/12/2020	\$1.00	-	1,150,000	\$0.20	14/10/2020	4 years	\$0.1782	14/10/2030	-
Marilyn Anderson	-	-	-	-	125,000	\$0.20	14/10/2020	4 years	\$0.1782	14/10/2030	-
John Bedbrook	-	-	-	-	-	\$1.00	28/01/2020		\$0.0734	28/01/2025	125,000
GF Dan O'Brien	-	-	-	-	-	\$1.00	28/01/2020		\$0.0734	28/01/2025	125,000
Justin Yap	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							
Scott Robertson	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							
Steven Skala	125,000	11/12/2020	\$1.00	-	125,000	\$0.20	14/10/2020	1 year	\$0.1782	14/10/2030	-
Peter Welburn	-	-	-	-	650,000	\$0.20	14/10/2020	4 years	\$0.1782	14/10/2030	-
Helen Molloy	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

End of Audited Remuneration Report

# DIRECTORS' REPORT

## 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:

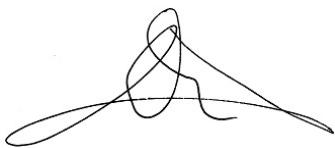
	<b>2022</b>	<b>2021</b>
	\$	\$
<b>Services other than audit and review of financial statements:</b>		
<b>Other assurance services</b>		
Investigating Accountant for public offer of shares	-	108,675
<b>Audit and review of the financial statements</b>	94,813	85,679
	<hr/>	<hr/>
	94,813	194,354

# DIRECTORS' REPORT

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

The Lead Auditor's Independence Declaration is set out on page 72 and forms part of the Directors' Report for the year ended 30 June 2022.

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



Professor Jonathan West  
Non-Executive Chairman



Dr Nicole van der Weerden  
Acting Chief Executive Officer

Dated this 30th day of September 2022

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# HEXIMA LIMITED

## ASX ADDITIONAL INFORMATION

Additional information required under ASX Listing Rule 4.10 and not shown elsewhere in the Annual Report is as follows. This information is current as at 15 September 2022.

### Use of funds since listing

Hexima's use of funds during FY 2022 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 pezadefitide manufacturing, formulation, stability and toxicology studies.

### Substantial shareholders

The names of the Substantial Shareholders listed as disclosed by notices submitted to the ASX as at 15 September 2022 are as follows:

Shareholder	Shares	Relevant interest
Dato Lim Sen Yap <sup>1</sup>	17,684,540	10.59%
Woobinda Nominees Pty Ltd and its associates <sup>2</sup>	15,126,853	9.06%
Merchant Group Australia Pty Ltd	9,000,000	5.39%
<b>Total</b>	<b>41,811,393</b>	<b>25.03%</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.

### Voting rights

#### Ordinary shares

In accordance with the Constitution each member present at a meeting whether in person, or by proxy, or by power of attorney, or in a duly authorised representative in the case of a corporate member, shall have one vote on a show of hands, and one vote for each fully paid ordinary share, on a poll.

#### Options

There are no voting rights attached to options

### Securities exchange

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

### Distribution of shareholders

The distribution of issued capital is as follows:

Size of Holding	Number of Shareholders	Ordinary Shares	% of Issued Capital
100,001 and over	171	150,766,258	90.26
10,001 – 100,000	359	14,461,717	8.66
5,001 – 10,000	125	999,845	0.60
1,001 – 5,000	251	765,811	0.46
1 to 1,000	92	45,998	0.03
<b>Total</b>	<b>998</b>	<b>167,039,629</b>	<b>100.00</b>

# HEXIMA LIMITED

## Distribution of option holders

The distribution of unquoted options on issue are:

Size of Holding	Number of Option holders	Ordinary Options	% of Options on Issue
100,001 and over	13	9,539,500	98.40%
10,001 – 100,000	4	150,000	1.55%
5,001 – 10,000	-	-	-
1,001 – 5,000	2	5,000	0.05%
1 to 1,000	-	-	-
<b>Total</b>	<b>19</b>	<b>9,694,500</b>	<b>100.00%</b>

## Twenty largest shareholders of quoted securities

The twenty largest shareholders of quoted equity securities are as follows:

	Name	Number of Ordinary Shares Held	Percentage of Quoted Shares
1	Dato Lim Sen Yap	12,245,883	7.65
2	Merchant Group Australia Pty Ltd	9,000,000	5.62
3	Caroline House Superannuation Fund Pty Ltd	6,266,029	3.91
4	Beta Gamma Pty Ltd	5,736,586	3.58
5	Woobinda Nominees Pty Ltd	5,717,286	3.57
6	CS Fourth Nominees Pty Ltd	5,483,629	3.42
7	HSBC Custody Nominees (Australia) Ltd	4,774,653	2.98
8	Paul Orlin	3,750,000	2.34
9	Hugh Morgan	2,977,252	1.86
10	Mr Lim Sen Yap	2,968,750	1.85
11	Huysmans Pty Ltd	2,906,260	1.82
12	Balmoral Financial Investments Pty Ltd	2,551,090	1.59
13	Adrienne Clarke	2,381,935	1.49
14	Marilyn Anderson	2,262,632	1.41
15	Mr Surinder Singh and Mrs Satwinder Kaur	2,220,000	1.39
16	Clianth Investments Pty Ltd	2,106,755	1.32
17	Cranley Nominees	2,007,674	1.25
18	Xanthi Pty Ltd	2,000,000	1.25
19	Ierace Pty Ltd	2,000,000	1.25
20	Pioneer Hi-Bred International Inc	2,000,000	1.25
<b>Top 20 Quoted Shareholders</b>		<b>86,988,035</b>	<b>54.33</b>
<b>Balance of Register</b>		<b>73,125,716</b>	<b>45.67</b>
<b>Total Quoted Equity Securities</b>		<b>160,113,751</b>	<b>100.0</b>

# HEXIMA LIMITED

## Unquoted equity securities

The Company had 9,694,500 unquoted options on issue as at 15 September 2022, broken up as follows:

6,964,500 Issued under employee incentive schemes

3,000,000 Issued to Canaccord Genuity (Australia) Limited

## Restricted securities

Security under restriction	Number of securities	Date on which restriction ends
Fully Paid Ordinary Shares	7,300,878	1 December 2022
Options	5,419,792	1 December 2022

## Less than marketable parcels of ordinary shares

There are 666 shareholders with unmarketable parcels totaling 5,868,388 shares.

## On-market Buy-backs

There is currently no on-market buy-back in relation to the Company's securities.

# HEXIMA LIMITED

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022

	Notes		Consolidated	
			2022	2021
<b>Revenue</b>				
Lease income	4(a)	399,647	392,948	
Government grants	4(b)	5,411,061	3,770,581	
		<b>5,810,708</b>	<b>4,163,529</b>	
<b>Expense</b>				
Research and development	5	(11,480,860)	(7,679,743)	
Patent and legal		(361,873)	(208,582)	
Marketing and business development		(350,781)	(109,339)	
Employee benefits		(2,747,097)	(2,293,087)	
Depreciation	12(a)/(b)	(141,288)	(147,979)	
Other	6	(633,524)	(550,438)	
		<b>(15,715,423)</b>	<b>(10,989,168)</b>	
<b>Results from operating activities</b>		(9,904,715)	(6,825,639)	
Finance income	7	1,544	99,423	
Finance expense	7	(115,309)	(147,430)	
Loss on disposal of asset		(2,281)	-	
<b>Net other expense</b>		<b>(116,046)</b>	<b>(48,007)</b>	
<b>Loss before income tax</b>		(10,020,761)	(6,873,646)	
Income tax expense	8	-	-	
<b>Loss for the period</b>		<b>(10,020,761)</b>	<b>(6,873,646)</b>	
<b>Other comprehensive income for the period, net of income tax</b>		-	-	
<b>Total comprehensive loss for the period</b>		<b>(10,020,761)</b>	<b>(6,873,646)</b>	
<b>Loss attributable to:</b>				
Owners of the Company		(10,020,761)	(6,873,646)	
<b>Loss for the period</b>		<b>(10,020,761)</b>	<b>(6,873,646)</b>	
<b>Total comprehensive loss attributable to:</b>				
Owners of the Company		(10,020,761)	(6,873,646)	
<b>Total comprehensive loss for the period</b>		<b>(10,020,761)</b>	<b>(6,873,646)</b>	
<b>Basic EPS (cents per share)</b>	16	<b>(6.56)</b>	<b>(6.14)</b>	
<b>Diluted EPS (cents per share)</b>	16	<b>(6.56)</b>	<b>(6.14)</b>	

The accompanying notes form part of these financial statements

**HEXIMA LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2022**

	Notes		<b>Consolidated</b>
		2022	2021
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	10	3,957,263	3,421,881
Receivables	11	5,806,961	4,023,138
Assets held for sale	12(c)	883,288	-
<b>TOTAL CURRENT ASSETS</b>		<b>10,647,512</b>	<b>7,445,019</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	12(a)	106,117	131,998
Investment property	12(b)	-	998,032
<b>TOTAL NON-CURRENT ASSETS</b>		<b>106,117</b>	<b>1,130,030</b>
<b>TOTAL ASSETS</b>		<b>10,753,629</b>	<b>8,575,049</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	5,843,310	3,293,844
Loans and borrowings	14	-	31,996
Employee benefits	15	344,421	586,871
<b>TOTAL CURRENT LIABILITIES</b>		<b>6,187,731</b>	<b>3,912,711</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	13	-	1,616,758
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>-</b>	<b>1,616,758</b>
<b>TOTAL LIABILITIES</b>		<b>6,187,731</b>	<b>5,529,469</b>
<b>NET ASSETS</b>		<b>4,565,898</b>	<b>3,045,580</b>
<b>EQUITY</b>			
Share capital	16	82,884,622	71,905,180
Reserves	16	2,842,861	2,281,224
Accumulated losses		(81,161,585)	(71,140,824)
<b>TOTAL EQUITY</b>		<b>4,565,898</b>	<b>3,045,580</b>

The accompanying notes form part of these financial statements

# HEXIMA LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

	Note	Ordinary Shares \$	Equity Option reserve \$	Equity Compensation reserve \$	Accumulated Losses \$	Total equity \$
<b>2022</b>						
Opening balance at 1 July 2021		<b>71,905,180</b>	<b>450,216</b>	<b>1,831,008</b>	<b>(71,140,824)</b>	<b>3,045,580</b>
Total comprehensive loss for the period		-	-	-	(10,020,761)	(10,020,761)
Net (loss) for the period		-	-	-	-	-
Other comprehensive income		-	-	-	-	-
Total comprehensive loss for the year		-	-	-	(10,020,761)	(10,020,761)
 Transactions with owners recorded directly in equity						
Issue Ordinary shares		11,571,678	-	-	-	11,571,678
Capital Raising Costs		(658,236)	-	-	-	(658,236)
Share based payment expenses	9	-	-	561,637	-	561,637
Issue of shares on exercise of options		66,000	-	-	-	66,000
Total contributions by and distributions to owners		<b>10,979,442</b>	<b>-</b>	<b>561,637</b>	<b>-</b>	<b>11,541,079</b>
<b>Closing balance at 30 June 2022</b>		<b>82,884,622</b>	<b>450,216</b>	<b>2,392,645</b>	<b>(81,161,585)</b>	<b>4,565,898</b>
 <b>2021</b>						
Opening balance at 1 July 2020		<b>61,006,378</b>	<b>200,000</b>	<b>1,440,525</b>	<b>(64,267,178)</b>	<b>(1,620,275)</b>
Total comprehensive loss for the period		-	-	-	(6,873,646)	(6,873,646)
Net (loss) for the period		-	-	-	-	-
Other comprehensive income		-	-	-	-	-
Total comprehensive loss for the year		-	-	-	(6,873,646)	(6,873,646)
 Transactions with owners recorded directly in equity						
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	9	-	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		<b>10,898,802</b>	<b>250,216</b>	<b>390,483</b>	<b>-</b>	<b>11,539,501</b>
<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>

The accompanying notes form part of these financial statements

**HEXIMA LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

	Notes	Consolidated	
		2022	2021
		\$	\$
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>			
Cash receipts from government grants & collaboration agreements		3,680,774	2,017,046
Cash receipts from lease agreement		440,796	538,820
Cash paid to suppliers and employees		(13,879,389)	(8,349,628)
<b>Net cash used in operating activities</b>	17(b)	(9,757,819)	(5,793,762)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		1,544	1,520
Payments for plant and equipment		(3,346)	(2,423)
<b>Net cash used in investing activities</b>		(1,802)	(903)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments received on issue of options		66,000	-
Repayment of Paycheck Protection Program to the US Government		(31,996)	-
Proceeds from the issue of ordinary shares		11,000,102	8,700,000
Payments to raise capital		(698,984)	(797,347)
Proceeds from Convertible note issue		-	-
<b>Net cash from financing activities</b>		10,335,122	7,902,653
Net increase in cash and cash equivalents		575,501	2,107,988
Effect on movements in exchange rates on foreign currency denominated cash at bank		(40,119)	(43,754)
<b>Cash and cash equivalents at 1 July</b>		3,421,881	1,357,647
<b>Cash and cash equivalents at 30 June</b>	17(a)	3,957,263	3,421,881

The accompanying notes form part of these financial statements

# HEXIMA LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 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 Corporate One, 84 Hotham Street, Preston, Victoria, 3072. The consolidated financial statements of the Company as at and for the year ended 30 June 2022 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, pezadefitide (previously referred to as HXP124) applied in a topical formulation, has been considered a potential new prescription treatment for toenail fungal infections (or 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 30 September 2022.

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

# HEXIMA LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 2. BASIS OF PREPARATION (continued)

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

#### *Measurement of fair values (continued)*

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.

#### *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 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 2022 of \$10,020,761 (2021: loss after tax of \$6,873,646) and as at 30 June 2022 has a surplus in net current assets of \$4,459,781 (2021: surplus of net current assets of \$3,532,308) and an overall net asset surplus of \$4,565,898 (2021: net surplus of \$3,045,580).

As announced on the ASX on 11 July 2022, the results of the Phase II study of pezadeftide for the treatment of onychomycosis, currently the Group's sole research, does not warrant continuation in its current form. The company commenced the orderly cessation of this project subsequent to year end and reduced expenses for non-essential activities as a consequence to conserve cash.

Notwithstanding these results, the Directors consider that it is appropriate to prepare the financial statements on a going concern basis based on the following mitigating factors:

- The Directors have prepared a cash flow forecast for the period from 1 July 2022 through to 30 September 2023. This forecast indicates the Group has sufficient capital to meet its expected liabilities through this period, and enable time to explore strategic options for the Group;
- Subsequent to year end, the Group is actively exploring opportunities for transactions with third parties which could enable the value of the Group's assets, including its intellectual property and other intangible assets, to be realised. These may include acquisitions or mergers. As opportunities are identified, the Group is entering into preliminary discussions with relevant parties. However, given the early stage of development of these opportunities, there can be no certainty that a transaction will proceed, or an agreement will be reached on terms acceptable to the directors and the Company's shareholders.

If the Group does not raise capital to redirect current research activities or identify and complete an acceptable transaction, the directors may commence a planned wind-down. However, until that decision is made it is appropriate to prepare these financial statements on going concern basis.

# HEXIMA LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 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 employed a US based CEO until 2 August when he stepped down from the position. Approximately 8% of the Group's expenses are incurred in the USA.

## 4. LEASING INCOME AND GOVERNMENT GRANTS

	Consolidated	
	2022	2021
	\$	\$
<b>(a) Lease income</b>		
Income from rental of glasshouse	399,647	392,948
<b>(b) Government grants</b>		
R&D tax incentive	5,391,061	3,657,085
COVID-19	-	81,500
Other	20,000	31,996
	<b>5,411,061</b>	<b>3,770,581</b>
	<b>5,810,708</b>	<b>4,163,529</b>

## 5. RESEARCH AND DEVELOPMENT EXPENDITURE

	Consolidated	
	2022	2021
	\$	\$
Research and development expenditure		
	11,480,860	7,679,743
	<b>11,480,860</b>	<b>7,679,743</b>

## 6. OTHER EXPENSES

	Consolidated	
	2022	2021
	\$	\$
Administration and compliance costs		
	391,720	427,733
Other expenses		
	241,804	122,705
	<b>633,524</b>	<b>550,438</b>

**HEXIMA LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**7. FINANCE INCOME AND EXPENSE**

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	\$	\$
Interest income on term deposit and cash at bank	1,544	1,453
Interest income on discounted long term debt	-	97,970
<b>Finance Income</b>	<b>1,544</b>	<b>99,423</b>
Interest expense on convertible note issue	-	(44,935)
Interest expense on discounted long term debt	(64,670)	-
Foreign exchange gain/(loss)	(50,639)	(56,887)
Derivative instrument gain	-	(45,608)
<b>Finance expense</b>	<b>(115,309)</b>	<b>(147,430)</b>

# HEXIMA LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 8. INCOME TAX

### (a) Income tax expense

	Consolidated	
	2022	2021
	\$	\$
Loss before tax	(10,020,761)	(6,873,646)
Income tax benefit using the domestic corporation tax rate of 25% (2021: 26%)	(2,505,190)	(1,787,148)
Increase/(decrease) in income tax expense due to:		
R & D adjustment	3,098,500	2,188,245
Non-assessable R&D tax incentive	(1,347,848)	(951,887)
Non-deductible share based payment	140,409	101,526
Other	(118,268)	(351)
Temporary differences and tax losses not brought to account	688,458	135,964
Adjustment to deferred tax asset due to change in tax rate	43,937	47,919
Adjustment to prior year tax	-	265,732
Income tax expense/(benefit) on pre-tax net profit	-	-

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	1,030,760	1,142,374
Tax losses	9,288,460	8,805,345
Total	10,319,220	9,947,719

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.

### (c) Income tax expense

Current tax benefit	(819,294)	(137,841)
Deferred tax asset not recognised	819,294	137,841
Total	-	-

# HEXIMA LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 9. SHARE-BASED PAYMENTS

At 30 June 2022, 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 2022 are as follows;

Grant date / parties entitled	Number of instruments	Vesting conditions	Contractual life of options
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	143,000	Vesting immediately	5 years
Options granted 1 January 2018 to other personal	45,000	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	143,000	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
Options granted 14 September 2021 to key management	149,000	25% vesting 27 July 2022, and in equal monthly instalments thereafter until 27 July 2025	10 years
Options granted 2 December 2021 to non-executive directors	841,000	Vesting upon continuous service until 27 July 2022	10 years
Options granted 2 December 2021 to executive directors	802,000	25% vesting 27 July 2022, and in equal monthly instalments thereafter until 27 July 2025	10 years
Options granted 2 December 2021 to non-executive director	224,000	Vesting upon continuous service until 1 September 2022	10 years
Options granted 2 December 2021 to non-executive director	312,500	Vesting in 36 equal monthly tranches from 1 October 2021 until fully vested 1 September 2024	10 years
Options granted 2 December 2021 to key management	600,000	25% vesting 2 December 2022, and in equal monthly instalments thereafter until 2 December 2025	10 years
Options granted 31 January 2022 to key management	600,000	25% vesting 31 January 2022, and in equal monthly instalments thereafter until 31 January 2026	10 years
Options granted 19 April 2022 to other personnel	600,000	25% vesting 19 April 2023, and in equal monthly instalments thereafter until 19 April 2026	10 years
<b>Total share options</b>	<b>15,439,500</b>		

# HEXIMA LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 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	Weighted average exercise price	Number of options
	2022	2022	2021	2021
Outstanding at 1 July	\$0.31	12,373,500	\$0.78	8,802,500
Exercised during the period	\$0.16	(412,500)	-	-
Cancelled during the period	-	-	\$0.94	(5,452,500)
Lapsed during period	\$0.32	(625,000)	\$0.59	(1,094,000)
Granted during the period	\$0.28	4,128,500	\$0.27	10,117,500
Outstanding at 30 June	\$0.31	15,439,500	\$0.31	12,373,500

The options outstanding at 30 June 2022 have various exercise prices (\$0.20, \$0.205, \$0.27, \$0.30, \$0.33, \$0.345, \$0.37, \$0.40, \$0.60 and \$1.00) and a weighted average remaining contractual life of 6.7 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 FY22 were:

- Non executive Directors; 841,000 options with Risk-free rate 1.68%, exercise price of \$0.205, fair value at grant date \$0.309, expected volatility (annualised) 93.00%, expected life of 10 years, and an annualised dividend rate of 0%.
- Non executive Directors; 536,500 options with Risk-free rate 1.68%, exercise price of \$0.27, fair value at grant date \$0.304, expected volatility (annualised) 93.00%, expected life of 10 years, and an annualised dividend rate of 0%.
- Executive Directors; 802,000 options with Risk-free rate 1.68%, exercise price of \$0.205, fair value at grant date \$0.309, expected volatility (annualised) 93.00%, expected life of 10 years, and an annualised dividend rate of 0%.
- Management Personnel; 149,000 options with Risk-free rate 1.22%, exercise price of \$0.205, fair value at grant date \$0.333, expected volatility (annualised) 93.00%, expected life of 10 years, and an annualised dividend rate of 0%.
- Management Personnel; 600,000 options with Risk-free rate 1.68%, exercise price of \$0.345, fair value at grant date \$0.298, expected volatility (annualised) 93.00%, expected life of 10 years, and an annualised dividend rate of 0%.
- Management Personnel; 600,000 options with Risk-free rate 1.88%, exercise price of \$0.37, fair value at grant date \$0.3224, expected volatility (annualised) 93.00%, expected life of 10 years, and an annualised dividend rate of 0%.
- Management Personnel; 600,000 options with Risk-free rate 3.07%, exercise price of \$0.33, fair value at grant date \$0.2901, expected volatility (annualised) 93.00%, expected life of 10 years, and an annualised dividend rate of 0%.

### Employee expenses

	Consolidated	
	2022	2021
Current	\$	\$
Share options expense	561,637	390,483
Total expense recognised as employee costs	561,637	390,483

# HEXIMA LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 10. CASH AND CASH EQUIVALENTS

	Consolidated	
	2022	2021
	\$	\$
Cash on hand	952	952
Cash at bank	3,956,311	3,420,929
	<hr/>	<hr/>
	3,957,263	3,421,881

## 11. RECEIVABLES

	Consolidated	
	2022	2021
	\$	\$
<b>Current</b>		
Trade receivables	112,763	110,135
R&D Tax Incentive Receivable – ATO	5,391,390	3,661,103
Prepayments and other receivables	302,808	251,900
	<hr/>	<hr/>
	5,806,961	4,023,138

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

# HEXIMA LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 12(a) PLANT AND EQUIPMENT

Consolidated	Plant and Equipment	Office Equipment	Total
Cost	\$	\$	\$
Balance at 1 July 2021	1,059,225	22,093	1,081,318
Additions	-	3,045	3,045
Disposals	(12,003)	-	(12,003)
Balance at 30 June 2022	1,047,222	25,138	1,072,360
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)
Balance at 30 June 2021	1,059,225	22,093	1,081,318
<b>Accumulated depreciation</b>			
Balance at 1 July 2021	929,970	19,350	949,320
Depreciation for the year	24,324	2,220	26,544
Disposals	(9,622)	-	(9,621)
Balance at 30 June 2022	944,673	21,570	966,243
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)
Balance at 30 June 2021	929,970	19,350	949,320
<b>Carrying amounts</b>			
At 30 June 2021	129,255	2,743	131,998
At 30 June 2022	102,549	3,533	106,117

# HEXIMA LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 12(b) INVESTMENT PROPERTY

The Group held one investment property, a glasshouse facility measured at cost. This was reclassified as an asset held for sale during the year.

	Glasshouse
	\$
<b>Cost</b>	
Balance at 1 July 2021	2,365,709
Transfer from property, plant and equipment	-
Transferred to Assets held for sale	(2,365,709)
Balance at 30 June 2022	-
Balance at 1 July 2020	-
Additions	2,365,709
Disposals	-
Balance at 30 June 2021	2,365,709
<b>Accumulated depreciation</b>	
Balance at 1 July 2021	1,367,677
Transfer from property, plant and equipment	-
Transferred to Assets held for sale	(1,367,677)
Balance at 30 June 2022	-
Balance at 1 July 2020	-
Depreciation for the year	1,367,677
Disposals	-
Balance at 30 June 2021	1,367,677
<b>Carrying amounts</b>	
At 30 June 2021	998,032
At 30 June 2022	-

# HEXIMA LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 12.(c) ASSETS HELD FOR SALE

The Group holds one asset for sale, a glasshouse facility. The Group has reached in principle agreement to sell the glasshouse facility. Hexima considers the fair value of the glasshouse to be \$1.1m based on the sale agreement. The glasshouse has been wholly leased to a third party and Hexima will retain the rights to collect the lease payments until March 2023. Refer to Note 22.

	Glasshouse
	\$
<b>Cost</b>	
Balance at 1 July 2021	-
Transfer from Investment property	2,365,709
Disposals	-
Balance at 30 June 2022	<u>2,365,709</u>
Balance at 1 July 2020	-
Transfer from property, plant and equipment	-
Disposals	-
Balance at 30 June 2021	<u>-</u>
<b>Accumulated depreciation</b>	
Balance at 1 July 2021	-
Transfer from Investment property	1,367,677
Depreciation for the year	114,744
Disposals	-
Balance at 30 June 2022	<u>1,482,421</u>
Balance at 1 July 2020	-
Transfer from property, plant and equipment	-
Disposals	-
Balance at 30 June 2021	<u>-</u>
<b>Carrying amounts</b>	
At 30 June 2021	-
At 30 June 2022	<u>883,288</u>

# HEXIMA LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 13. TRADE AND OTHER PAYABLES

	Consolidated	
	2022	2021
<b>Current</b>		
Trade payables and other	\$ 4,774,025	\$ 2,678,680
Other payables & accrued expenses	966,774	516,119
Rental income received in advance	102,511	99,045
	<b>5,843,310</b>	<b>3,293,844</b>

## 13. TRADE AND OTHER PAYABLES (continued)

	Consolidated	
	2022	2021
<b>Non-Current</b>		
Trade payable	\$ -	\$ 1,616,758
	<b>-</b>	<b>1,616,758</b>

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

## 14. LOANS AND BORROWINGS

	Consolidated	
	2022	2021
<b>Current</b>		
US Government Loan - Paycheck Protection Program	\$ -	\$ 31,996
	<b>-</b>	<b>31,996</b>

## 15. EMPLOYEE BENEFITS

	Consolidated	
	2022	2021
<b>Current</b>		
Accrued bonus	\$ -	\$ 338,730
Superannuation	18,577	12,876
Liability for annual leave	161,187	82,787
Liability for long service leave	164,657	152,478
	<b>344,421</b>	<b>586,871</b>

# HEXIMA LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 16. CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves

### Consolidated and the Parent Entity

Ordinary Shares	Number of Shares		Amount \$	
	2022	2021	2022	2021
On Issue at 1 July	130,857,724	130,238,789	71,905,180	61,006,378
Issued via Placement	-	57,000,000	-	5,700,000
Issued via convertible note conversion	-	44,476,598	-	3,246,791
Total ordinary shares pre share consolidation	-	231,715,387	-	69,953,169
Total ordinary shares post 1:2 consolidation	-	115,857,724	-	69,953,169
Issued via Public Offer	-	15,000,000	-	3,000,000
Issue via Placement	31,250,000	-	10,000,000	-
Issue via Share purchase plan	3,125,317	-	1,000,102	-
Issue via reduction in debt	1,394,088	-	571,576	-
Issue via exercise of options	412,500	-	66,000	-
Capital raising costs	-	-	(658,236)	(1,047,989)
On issue at 30 June – fully paid	167,039,629	130,857,724	82,884,622	71,905,180

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.

# HEXIMA LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 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	
	2022	2021	2022	2021
			\$	\$
On issue at 1 July	3,000,000	-	450,216	200,000
Issued to lead manager of Public Offer	-	3,000,000	-	250,216
On issue at 30 June	3,000,000	3,000,000	450,216	450,216

### 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	
	2022	2021	2022	2021
			\$	\$
On issue at period beginning	9,373,500	17,605,000	1,831,008	1,440,525
Options on issue post consolidation	9,373,500	8,802,500	1,831,008	1,440,525
Issued as compensation	4,128,500	7,117,500	561,637	390,483
Exercise of share options	(412,500)	-	-	-
Cancelled options	-	(5,452,500)	-	-
Lapsed options	(650,000)	(1,094,000)	-	-
On issue at period end	12,439,500	9,373,500	2,392,645	1,831,008
<b>Total Reserve at period end</b>	<b>15,439,500</b>	<b>12,373,500</b>	<b>2,842,861</b>	<b>2,281,224</b>

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

1,349,000 options were granted throughout the year to members of the management team, and 2,779,500 options were granted on 2 December 2021 to the chairman, executive directors and non-executive directors.

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.

# HEXIMA LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 16. CAPITAL AND RESERVES (continued)

### Earnings per Share

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

	2022	2021
<b>Net loss</b>	\$(10,020,761)	\$(6,873,646)
Weighted average number of ordinary shares	152,688,237	111,923,137
<b>Basic EPS (cents per share)</b>	(6.56)c	(6.14)c
<b>Diluted EPS (cents per share)</b>	(6.56)c	(6.14)c

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.

## 17. NOTES TO THE STATEMENT OF CASHFLOW

### 17a. RECONCILIATION OF CASH

Note	Consolidated		
	2022	2021	
	\$	\$	
Cash on hand and at bank	10	3,957,263	3,421,881

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

	Consolidated	
	2022	2021
	\$	\$
Cash flows from operating activities		
Loss for the year	(10,020,761)	(6,873,646)
<i>Adjustments for:</i>		
Interest received and foreign exchange differences – classified as investing activity and movement in cash	113,765	2,399
Derivative instrument loss	-	45,608
Depreciation	141,288	147,979
Equity settled share based payment expense	561,637	640,699
Operating loss before changes to working capital	(9,204,071)	(6,036,961)
Increase in trade and other receivables and prepayments	(1,783,823)	(1,731,058)
Increase in payables and employee benefits	1,230,075	1,974,257
Net cash used in operating activities	(9,757,819)	(5,793,762)

# HEXIMA LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 18. AUDITOR'S REMUNERATION

	Consolidated	
	2022	2021
<b>a. Audit Services</b>		
Auditors of the Company	\$	\$
KPMG Australia		
- Audit of the annual financial report	62,083	53,583
- Review of half year financial statements	32,730	32,096
	<b>94,813</b>	<b>85,679</b>

	2022	2021
	\$	\$
<b>b. Non-Audit Services</b>		
KPMG Australia		
- Investigating Accountant for public offer of shares	-	108,675
	<b>-</b>	<b>108,675</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	
		2022	2021
		\$	\$
Trade and other receivables	11	112,763	110,135
R&D Tax Incentive – ATO	11	5,391,390	3,661,103
Cash on hand and at bank	10	3,957,263	3,421,881
		<b>9,461,416</b>	<b>7,193,119</b>

Cash on hand and at bank include deposits with the National Australia Bank and the Bank of America. The Group has no significant exposure to long aged receivables as at 30 June 2022. Both the trade and other receivables and R&D Tax incentive are current and have been received year on year and are considered to have a low credit risk given the counter party.

### Impairment Losses

The Group has receivables past due of \$NIL (2021: \$NIL) and no impairment losses have been recognised (2021: \$NIL).

# HEXIMA LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 19. FINANCIAL INSTRUMENTS (continued)

### Liquidity Risk

The Group has trade and other payables and employee provisions with a carrying value of \$6,594,367 (2021: \$3,880,715) (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 \$164,657 (2020: \$152,478).

The Group had a non-current liability owing to La Trobe University of \$1,616,758 in FY 2021, which has been classified a current liability in the current year. The Group also had a US Government, Small Business Administration Payroll Protection Program loan totalling AUD \$31,996 in FY 2021 that has been repaid during the year.

There are currently NIL term deposits.

### Currency risk

At 30 June 2022, there were no receivables of another currency, and payables of EUR 509,154 (2021: EUR 119,713), USD \$360,331 (2021: USD \$28,959), GBP 129,330 (2021: GBP 82,597) and NZD \$1,800 (2021: NZD \$151,803).

Of the cash on hand at 30 June 2022, the Group held:

USD \$41,941 within a NAB and Bank of America USD denominated account (AUD \$60,424) (2021: USD \$383,763; AUD equivalent of \$505,816),  
GBP 344,961; AUD equivalent of \$601,995 (2021: GBP 465,491; AUD equivalent of \$849,684); and  
EUR 156,111; AUD equivalent of \$234,574 (2021: EUR 335,630; AUD equivalent of \$526,075).

### 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 2022 was 0.04% (2021: 0.05%).

#### Fixed rate instruments

There were no term deposits during the year ended June 2022, 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 \$35,909 (2021: \$31,841). A 100 basis points decrease in interest rates would have increased the loss by \$35,909 (2021: \$31,841).

#### 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 2022.

#### Fair value hierarchy

No financial instruments are carried at fair value at 30 June 2022, 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.

# HEXIMA LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 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 (stepped down from this position 2 August 2022, remains a non-executive director)

Dr. Nicole van der Weerden, Chief Operating Officer (appointed acting Chief Executive Officer 2 August 2022)

Professor Marilyn Anderson, Chief Science Officer (retired from the Board 2 December 2021)

#### *Non-Executive Directors*

Mr Justin Yap

Mr Scott Robertson

Mr Jason (Jake) Nunn (appointed 1 September 2021)

Mr Steven Skala AO (alternate director appointed 10 March 2020)

#### *Executives*

Ms Helen Molloy, Financial Controller (Company Secretary from 21 November 2020 to 6 October 2021)

Dr Peter Welburn (appointed Chief Development Officer 1 October 2020 and resigned 1 December 2021)

Ms Leanne Ralph, Company Secretary (appointed 6 October 2021)

Dr Nancy Sacco, Chief Development Officer (appointed 2 December 2021)

Mr Phillip Rose, Chief Commercial Officer (appointed 4 January 2022)

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

	<b>Consolidated</b>	
	<b>2022</b>	<b>2021</b>
	\$	\$
Short term employee benefits	1,642,298	1,851,773
Post employment benefits	49,431	44,212
Share based payments	542,545	362,834
	<b>2,234,274</b>	<b>2,258,819</b>

The Company engages Marilyn Anderson and Nicole van der Weerden services through a Research Agreement with La Trobe University and through a separate direct employment agreement. The La Trobe University payments have been included in the compensation amounts above and the comparative numbers have been adjusted for consistency.

#### **Individual Directors and Executive compensation disclosures**

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.

# HEXIMA LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 21. RELATED PARTIES (continued)

### Options and rights over equity instruments

The movement during the reporting period in the number of options over ordinary shares in the Company held directly, indirectly or beneficially, by each key management person including their related parties, is as follows:

2022	Held at 1 July 2021	Granted as compensation	Exercised	Expired/Lapsed	Held at 30 June 2022	Vested during the period	Vested and exercisable at 30 June 2022
<b>Directors</b>							
Jonathan West	1,000,000	393,000	-	-	1,393,000	1,000,000	1,000,000
Nicole van der Weerden	1,650,000	244,000	(250,000)	(250,000)	1,394,000	479,167	479,167
Marilyn Anderson AO	250,000	36,000	(125,000)	-	161,000	52,083	52,083
Justin Yap (1)	312,500	224,000	-	-	536,500	312,500	312,500
Scott Robertson	312,500	224,000	-	-	536,500	312,500	312,500
Michael Aldridge	2,750,000	522,000	-	-	3,272,000	1,145,833	1,145,833
Jason (Jake) Nunn	-	536,500	-	-	536,500	78,125	78,125
Steven Skala AO (2)	125,000	-	-	-	125,000	125,000	125,000
<b>Key Management</b>							
Peter Welburn (3)	650,000	65,000	-	-	715,000	270,833	270,833
Dr Nancy Sacco (4)	-	600,000	-	-	600,000	-	-
Mr Phillip Rose (5)	100,000	600,000	-	-	700,000	41,667	41,667
Ms Leanne Ralph (6)	-	-	-	-	-	-	-
Helen Molloy	225,000	30,000	-	-	255,000	90,625	98,125
	7,375,000	3,474,500	(375,000)	(250,000)	10,224,500	3,908,333	3,915,833

1. A related party of Justin Yap holds 17,684,540 shares.
2. Steven Skala is an alternate director for Scott Robertson, appointed 10 March 2020
3. Peter Welburn was Chief Development Officer until 1 December 2021
4. Dr Nancy Sacco was appointed Chief Development Officer 2 December 2021
5. Mr Phillip Rose was appointed Chief Commercial Officer 4 January 2022
6. Ms Leanne Ralph was appointed Company Secretary 6 October 2021

# HEXIMA LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 21. RELATED PARTIES (continued)

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

	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 (4)	2,500,000	1,250,000	-	-	(750,000)	500,000	125,000	500,000	
G F Dan O'Brien (4)	1,250,000	625,000	-	-	(125,000)	500,000	125,000	500,000	
Justin Yap (1)	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 (2)	250,000	125,000	(125,000)	125,000	-	125,000	-	-	-
<b>Key Management</b>									
Peter Welburn (3)	-	-	-	650,000	-	650,000	-	-	-
Helen Molloy	75,000	37,500	(30,000)	217,500	-	225,000	-	7,500	
	15,800,000	7,900,000	(5,392,500)	6,642,500	(875,000)	8,275,000	437,500	1,632,500	

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

# HEXIMA LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 21. RELATED PARTIES *(continued)*

### Movement in shares

The movement during the reporting period in the number of ordinary shares in the Company held directly, indirectly, or beneficially by each key management personnel, including their related parties, is as follows:

2022	Held at 1 July 2021	Purchases	Purchased through exercise of options	Sales	Held at 30 June 2022
<b>Directors</b>					
Jonathan West	3,000,000	-	-	-	3,000,000
Marilyn Anderson AO	2,280,548	-	125,000	-	2,405,548
Nicole van der Weerden	144,700	-	250,000	-	394,700
Justin Yap <sup>(1)</sup>	-	-	-	-	-
Scott Robertson	-	-	-	-	-
Michael Aldridge	-	-	-	-	-
Jason (Jake) Nunn	-	93,750	-	-	93,750
Steven Skala AO <sup>(2)</sup>	5,480,029	312,500	-	-	5,792,529
<b>Key Management</b>					
Peter Welburn <sup>(3)</sup>	-	-	-	-	-
Dr Nancy Sacco <sup>(4)</sup>	-	-	-	-	-
Mr Phillip Rose <sup>(5)</sup>	-	-	-	-	-
Ms Leanne Ralph <sup>(6)</sup>	-	-	-	-	-
Helen Molloy	78,500	-	-	-	78,500
	10,983,777	406,250	375,000	-	11,765,027

1. A related party of Justin Yap holds 17,684,540 shares.
2. Steven Skala is an alternate director for Scott Robertson, appointed 10 March 2020
3. Peter Welburn was Chief Development Officer until 1 December 2021
4. Dr Nancy Sacco was appointed Chief Development Officer 2 December 2021
5. Mr Phillip Rose was appointed Chief Commercial Officer 4 January 2022
6. Ms Leanne Ralph was appointed Company Secretary 6 October 2021

# HEXIMA LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 21. RELATED PARTIES (continued)

### Movement in shares (continued)

2021	Held at 1 July 2020	Pre consolidation CN conversion, Placement and Purchases	Pre consolidation Transfer	Shares held post Consolidat ion	Post Consolidatio n 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 (3)	500,000	-	-	250,000	-	250,000
G F Dan O'Brien (3)	15,035,894	15,282,811	(1,000,000)	14,659,353	280,000	14,939,353
Justin Yap (1)	-	-	-	-	-	-
Scott Robertson	-	-	-	-	-	-
Michael Aldridge	-	-	-	-	-	-
Steven Skala AO (2)	6,667,947	4,292,109	-	5,480,029	-	5,480,029
<b>Key Management</b>						
Peter Welburn (4)	-	-	-	-	-	-
Helen Molloy	32,000	125,000	-	78,500	-	78,500
	30,511,337	22,274,920	(1,000,000)	25,893,130	280,000	26,173,130

(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.

# HEXIMA LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 21. RELATED PARTIES *(continued)*

### Key management personnel and directors' transactions

Professor Anderson and Dr van der Weerden are employees of La Trobe University. During the financial year ended 30 June 2022, amounts (including GST) totalling \$5,249,466 (2021: \$4,227,350) were paid or payable by Hexima to La Trobe University for research work carried out on behalf of the Group; these amounts include payments for compensation as set-out in the key management compensation table above. These transactions were conducted on normal commercial terms. Trade accounts and/or accruals payable to La Trobe University at 30 June 2022 were \$3,772,378 (exclusive of GST) (2021: \$3,621,075).

## 22. OPERATING LEASES

### Leases as lessor

Lease rentals are receivable as follows:

	2022	2021
	\$	\$
Less than one year	307,535	396,180
Between one and five years	-	297,135
	<hr/> 307,535	<hr/> 693,315

## 23. GROUP ENTITIES

Parent Entity	Country of incorporation	Ownership Interest	
		2022	2021
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 2022.

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 \$883,288 at 30 June 2022, 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 \$98,870 as at 30 June 2022.

# HEXIMA LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 24. PARENT ENTITY DISCLOSURES

	Company	
	2022	2020
	\$	\$
<b><i>Result of the Parent Entity</i></b>		
Loss for the period	(10,035,605)	(6,895,787)
Other Comprehensive income	-	-
<b>Total Comprehensive loss for the period</b>	<b>(10,035,605)</b>	<b>(6,895,787)</b>
 <b><i>Financial Position of the Parent entity at year end</i></b>		
Current assets	10,056,188	7,331,676
<b>Total assets</b>	<b>11,045,593</b>	<b>8,461,705</b>
Current liabilities	6,578,552	3,883,380
Non-current liabilities	-	1,616,758
<b>Total liabilities</b>	<b>6,578,552</b>	<b>5,500,138</b>
 <b><i>Total equity of the Parent entity comprising of:</i></b>		
Share capital	82,884,622	71,905,180
Reserves	2,842,861	2,281,224
(Accumulated losses)	(81,260,442)	(71,224,837)
<b>Total Equity</b>	<b>4,467,041</b>	<b>2,961,567</b>

## 25. SUBSEQUENT EVENTS

As a consequence of the clinical trial results for pezadeftide, Hexima has commenced a process of winding down its research and development activities for pezadeftide. Hexima's contracts with its major research service providers have been, or are being, terminated and all non-essential employees have been made redundant.

In line with the Company's decision to wind-down its pezadeftide program and manage expenses, Hexima's Chief Executive Officer, Mr Michael Aldridge, resigned from his executive role on 2 August 2022. Hexima's Chief Operating Officer, Dr Nicole van der Weerden, assumed the role of Acting Chief Executive Officer. Mr Aldridge continues as a Non-Executive Director of the Company.

Hexima has reached in principle agreement with La Trobe University to sell the Hexima glasshouse facility and various laboratory plant and equipment in exchange for a reduction in Hexima's outstanding liabilities to La Trobe University totalling \$980,000. Hexima also retains the rights to the quarterly lease payments until March 2023 valued at a further \$205,023.

Following the steps that have been taken to date, Hexima expects to have cash and receivables of between \$2.0 and \$2.6M, and no other material tangible assets or liabilities, once current operations are finalised in Q4 2022. This includes Hexima's FY2023 R&D Tax Incentive rebate receivable of approximately \$0.5M.

Other than the matters noted above, there have been no events subsequent to the balance date which would have a material effect on the Group's financial statements as at 30 June 2022.

# HEXIMA LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 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.

# HEXIMA LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 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.

# HEXIMA LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 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:

	2022	2021
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.

# HEXIMA LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 26. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Foreign Currency

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

### (e) Impairment

#### (i) Non-derivative financial assets

##### *Financial instruments and contract assets*

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI. The Group did not have any debt investment of FVOCI during and as at 30 June 2022; 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.

# HEXIMA LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 26. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Impairment (continued)

#### *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.

#### *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.

# HEXIMA LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 26. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (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	<p>Customer obtains control as the underlying research services are performed. This usually occurs when the underlying activities are undertaken by the Group over time.</p> <p>Where an agreement contains a right to access the Group's IP this is also recognised over time.</p>	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.

# HEXIMA LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 26. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Finance income and expenses

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

### (i) Income tax

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

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

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.

# HEXIMA LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 26. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (l) Employee benefits *(continued)*

#### *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.

### (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) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred

# HEXIMA LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 26. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (o) Assets held for sale *(continued)*

tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

### (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.

## 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.

# HEXIMA LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 27. FINANCIAL RISK MANAGEMENT *(continued)*

### **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 2022, there were receivables of \$NIL and payables of \$1,528,736 denominated in foreign currencies (2021 receivable: \$NIL, payable: \$521,591). At 30 June 22 the Group had US \$41,941 in the two group US dollar denominated bank accounts, GBP 344,961 and EUR 156,111.

#### *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.

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**

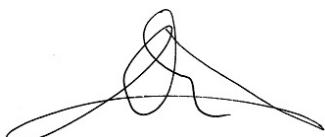
The Board's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. As the Group is a development stage business, the Board of Directors monitors the Group's performance with particular regard to the progress 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 28 to 65, 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 2022 and of its performance for the financial year ended on that date;
    - ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
  - b) There are reasonable grounds to believe that the Company will be able pay its debts as and when they become due and payable.
- 2) The Directors draw attention to Note 2(a) to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Dated at Melbourne this 30th day of September 2022



Professor Jonathan West  
Non-Executive Chairman



Dr Nicole van der Weerden  
Acting Chief Executive Officer and Executive Director

# 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 2022 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 2022
- 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 these requirements.

### 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.

We have determined the following matters described below to be the Key Audit Matters.

Government grants – R&D tax incentive \$5,391,061	
Refer to Note 4(b) 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 2022; 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>We focused on the assessment performed by the Group and their expert in determining the incentive scheme eligibility of the R&amp;D expenditure underlying the Group's claim, as their basis of measuring the amount of the R&amp;D tax incentive income and corresponding receivable.</p> <p>We involved tax specialists to supplement our senior audit team members in assessing this key audit matter.</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>

### Going concern basis of accounting

Refer to Note 2(e) to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>The Group's use of the going concern basis of accounting and the associated extent of uncertainty is a key audit matter due to the high level of judgement required by us in evaluating the Group's assessment of going concern and the events or conditions that may cast significant doubt on their ability to continue as a going concern. These are outlined in Note 2(e).</p> <p>The Directors have determined that the use of the going concern basis of accounting is appropriate in preparing the financial report. Their assessment of going concern was based on cash flow projections. The preparation of these projections incorporated a number of assumptions and significant judgements.</p> <p>We critically assessed the level of uncertainty, as it related to the Group's ability to continue as a going concern, within these assumptions and judgements, focusing on the following:</p> <ul style="list-style-type: none"> <li>the Group's significant cash inflow assumptions, particularly the Group's eligibility to receive the R&amp;D tax incentive;</li> <li>the Group's planned levels of operational expenditures and the ability of the Group to manage cash outflows within available funding;</li> <li>the Group's plan to divest the glasshouse facility and associated plant and equipment to raise additional funds. This included the feasibility, projected timing, quantum of potential proceeds, and status of the proposed sale; and</li> <li>the Group's alternatives for future operations.</li> </ul> <p>In assessing this key audit matter, we involved senior audit team members who understand the Group's business, industry and the economic environment it operates in.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>We analysed the cash flow projections by: <ul style="list-style-type: none"> <li>Evaluating the underlying data used to generate the cash flow projections. We reviewed those used by the Directors, and tested by us, for their consistency with the Group's intentions and their comparability to past practices. We specifically assessed this against our understanding of management and Directors' plan, obtained from our inquiries with them;</li> <li>Assessing the Group's significant cash inflow assumptions and judgements for feasibility and timing, including the eligibility for and history of obtaining the R&amp;D incentives and obtaining a direct confirmation from a third party for the offer to buy the glasshouse facility and associated plant and equipment subsequent to year end for consistency with the cashflow forecasts;</li> <li>We independently developed an alternative cash flow projection, which adjusted the proceeds from the planned divesture of the glasshouse facility and associated plant and equipment, to assess the projected level of cash available to the Group;</li> <li>Assessing the planned level of operating expenditure for consistency to the Group's actual results and the decision and ability to curtail expenditure;</li> </ul> </li> <li>We read Directors' minutes and discussed with both management and Directors the strategic options available to the Group to redirect operations to understand the strategic options available; and</li> <li>We evaluated the Group's going concern disclosures in the financial report by comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow projection assessment, the Group's plans to address those events or conditions, and accounting standard requirements.</li> </ul>

## 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.

## 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 2022, 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 15 to 22 of the Directors' report for the year ended 30 June 2022.

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

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

KPMG

Adrian Nathanielsz

*Partner*

Melbourne

30 September 2022

# 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 2022 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.

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

KPMG

Adrian Nathanielsz

*Partner*

Melbourne

30 September 2022