



15 October 2020

Prospectus

Hexima Limited ACN 079 319 314 (**Hexima Limited**)
Hexima SaleCo Pty Ltd ACN 644 176 278 (**SaleCo**)

Public Offering

Prospectus for the offer of 15,000,000 fully paid ordinary shares (Shares) at an offer price of \$0.20 per Share to raise \$3,000,000 and for the offer of up to 22,500,000 Shares offered for sale under the Share Sale Facility. This Offer is not underwritten.

This Offer closes on 13 November 2020. Valid Applications must be received before that time.

hexima.com.au



This is an important document which should be read in its entirety. It contains information which will assist you in making a decision regarding your participation in the Offer.

The Offer Shares should be considered a highly speculative investment given that the Company has generated limited commercial revenue to date and is not currently generating a positive cash flow.

**Issued by Hexima Limited ACN 079 319 314
and Hexima SaleCo Pty Ltd ACN 644 176 278**

Important information

This is an important document which should be read in its entirety before making any investment decision. You should obtain independent advice if you have any questions about any of the matters contained in this Prospectus.

Offer

This Prospectus contains an invitation by the Company and SaleCo for investors to subscribe for Offer Shares comprising respectively New Shares and Sale Shares. The Prospectus is issued by the Company and SaleCo and supports the public offering of the Company.

Lodgement

This Prospectus is dated 15 October 2020 (**Prospectus Date**) and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date.

The Company will apply to ASX Limited (**ASX**) for admission of the Company to the official list of ASX and quotation of its Shares on ASX. Neither ASIC nor ASX takes any responsibility for the content of this Prospectus or for the merits of the investment to which this Prospectus relates.

Expiry Date

This Prospectus expires on 15 October 2021 (**Expiry Date**). No Offer Shares will be allotted, issued, transferred or sold on the basis of this Prospectus after the Expiry Date.

No investment advice

No person is authorised to provide any information, or to make any representation, about the Company, SaleCo or the Offer that is not contained in this Prospectus. Potential investors should only rely on the information contained in this Prospectus. Any information or representation which is not contained in this Prospectus may not be relied on as having been authorised by the Company, SaleCo or any other person in connection with the Offer. Except as required by law and only to the extent required by such law, none of the Company, SaleCo or any person associated with the Company, SaleCo or the Offer, guarantees or warrants the future performance of the Company, the return on an investment made under this Prospectus, the repayment of capital or the payment of dividends on the Offer Shares.

Before deciding to invest in the Company, investors should read the entire Prospectus. The information contained in individual sections is not intended to and does not provide a comprehensive review of the business and the financial affairs of the Company or the Offer Shares offered under this Prospectus. The Offer does not take into account

the investment objectives, financial situation or particular needs of individual investors. Neither the Company nor SaleCo is licensed to provide financial product advice. You should carefully consider the risks (set out in Section 6) that impact on the Company in the context of your personal requirements (including your financial and taxation position) and, if required, seek professional guidance from your stockbroker, solicitor, accountant or other independent and qualified professional adviser prior to deciding to invest in the Company. There may be risk factors in addition to these that should be considered in light of your personal circumstances. No cooling-off regime (whether provided for by law or otherwise) applies in respect of the acquisition of the Offer Shares under this Prospectus.

Highly speculative investment

Investors should be aware that the Offer Shares are a highly speculative investment given that the Company has generated limited commercial revenue to date and is not currently generating a positive net cash flow.

Statements of past performance

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance is not indicative of future performance.

Financial information presentation

Section 5 sets out in detail the Financial Information referred to in this Prospectus. The basis of the preparation of the Financial Information is set out in Sections 5.2.1 and 5.2.2.

All references to FY18, FY19, FY20 are to the financial years ended 30 June 2018, 30 June 2019, and 30 June 2020 respectively, unless otherwise indicated.

The Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in the Australian Accounting Standards (AAS) and other authoritative pronouncements adopted or issued by the Australian Accounting Standards Board (AASB) and the accounting policies of the Company. The significant accounting policies of the Company relevant to the Financial Information are set out in Appendix B.

The Financial Information including the Pro Forma Historical Information in this Prospectus should be read in connection with, and they are qualified by reference to, the information contained in Sections 5 and 6.

All financial amounts contained in the Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and sums and components in tables, figures and diagrams contained in this Prospectus are due to rounding. Tables, figures and body content contained in this Prospectus have not been amended by the Company to correct immaterial summation differences that may arise from this rounding convention. The Financial Information in this Prospectus should be read in conjunction with, and is qualified by reference to the information contained in Sections 5 and 6 and other information in this Prospectus. Where financial information and metrics present pro forma amounts, they have been labelled “pro forma”.

Investors should be aware that certain financial data included in this Prospectus is ‘non-IFRS financial information’ under Regulatory Guide 230 Disclosing non-IFRS financial information, published by ASIC. The Company believes this non-IFRS financial information provides useful information to users in measuring the Company’s financial performance and financial condition.

The non-IFRS measures do not have standardised meanings prescribed by AAS and therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with AAS.

Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial information included in this Prospectus.

Forward-looking statements

This Prospectus contains forward-looking statements, including statements identified by use of words such as ‘believes’, ‘estimates’, ‘anticipates’, ‘expects’, ‘predicts’, ‘intends’, ‘targets’, ‘plans’, ‘goals’, ‘outlook’, ‘aims’, ‘may’, ‘will’, ‘would’, ‘could’ or ‘should’ and other similar words that involve risks and uncertainties.

Except as set out above, the Company, SaleCo and their respective directors cannot and do not make any representation, express or implied, in relation to forward-looking statements and you are cautioned not to place undue reliance on these statements. The Company and SaleCo do not intend to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These statements are subject to various risk factors that could cause the Company’s actual results to differ materially from the results expressed or anticipated in these statements. Key risk factors are set out in Section 6. These and other factors could cause actual results to differ materially from those expressed in any statement contained in this Prospectus.

This Prospectus, including the industry overview in Section 3, uses market data and third-party estimates and projections. There is no assurance that any of the third-party estimates or projections contained in this information will be achieved. The Company and SaleCo have not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in Section 6.

Numbers

Numbers and numerical values used in this Prospectus, including percentages, may be subject to or affected by rounding or approximation, including on the basis that other numbers or numerical values from which they were determined or calculated being subject to or affected by rounding or approximation.

Foreign jurisdictions

This Prospectus does not constitute an offer or invitation to apply for the Offer Shares in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation. No action has been taken to register or qualify the Offer Shares or the Offer, in any jurisdiction outside Australia.

The distribution of this Prospectus (including in electronic form) outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should obtain advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus may not be distributed to, for the account or benefit of, or relied upon by, persons in the United States. The Offer Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered, sold, or otherwise transferred in the United States or to, or for the account or benefit of, any persons except in a transaction exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

Important information for New Zealand investors

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the **FMC Act**).

The Offer Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

Other than any offer to existing shareholders of the Company, the Offer Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Important information for Hong Kong investors

WARNING: The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Exposure Period

Pursuant to the Corporations Act, this Prospectus is subject to an Exposure Period of 7 days after the date of lodgement with ASIC, which may be extended by ASIC by up to a further 7 days.

The Exposure Period enables this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus. If deficiencies are detected, the Company will:

- return any Application Monies that the Company has received;
- provide each Applicant with a supplementary Prospectus or replacement Prospectus that corrects the deficiency, and give each Applicant the option to withdraw the Application within one month and be repaid their Application Monies; or
- issue to each Applicant the Offer Shares applied for in the Application, provide each Applicant with a supplementary or replacement Prospectus that corrects the deficiency and give each Applicant the option to withdraw the Application within 1 month and be repaid their Application Monies.

Application Forms received prior to the expiration of the Exposure Period will not be processed until after the Exposure Period. No preference will be conferred on Application Forms received during the Exposure Period and all Application Forms received during the Exposure Period will be treated as if they were simultaneously received on the date on which the Offer opens at 9:00am (Melbourne time) on 22 October 2020 .

Prospectus availability

The Prospectus is available for download in electronic form on the Company's website: www.hexima.com.au.

The Prospectus and its accompanying online Application Form is available to:

- (i) existing institutional and retail investors in Australia, New Zealand and Hong Kong;
- (ii) new institutional and retail investors in Australia; and
- (iii) new institutional investors in New Zealand and Hong Kong,

via the Offer website <https://events.miraql.com/hexima-public-offer>

The Corporations Act prohibits any person from passing on to another person the Application Form unless it is included in or accompanied by a hard copy of this Prospectus or accompanies the complete and unaltered electronic version of this Prospectus.

During the Offer Period, any person who is not in the United States, not a US person or is not acting for the account or benefit of any US person, may obtain a paper copy of this Prospectus by contacting the Hexima Offer Information Line on +61 1800 500 710. Questions relating to the Offer may also be directed to the Hexima Offer Information Line.

The Company and SaleCo are entitled to refuse an Application for Offer Shares under this Prospectus if they believe the Applicant received this Prospectus or the Offer in electronic form outside of Australia in non-compliance with the laws of the relevant foreign jurisdictions.

Privacy

By completing an Application Form, you are providing personal information to the Company, SaleCo and the Share Registry which is contracted by the Company to manage Applications, and you consent to the collection and use of that personal information in accordance with these terms. That personal information will be collected, held and used both in and outside Australia by the Company, SaleCo and the Share Registry on their behalf, to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration of your investment. If you do not wish to provide the necessary information, the Company and SaleCo may not be able to process your Application.

As a Shareholder, the Corporations Act requires information about you (including your name, address and details of the Shares you hold) to be included in the Company's public Share register. This information must continue to be included in the Company's public Share register even if you cease to be a Shareholder.

The Company, SaleCo and the Share Registry on their behalf, may disclose your personal information for purposes relating to your investment to their agents and service providers (which may be located outside of Australia) including those listed below or as otherwise authorised under the Privacy Act 1988 (Cth):

- the Share Registry for ongoing administration of the Company's public Share register;
- printers and other companies for the purpose of preparation and distribution of documents and for handling mail;
- the Company and SaleCo in order to assess your Application;
- market research companies for the purpose of analysing the Company's shareholder base and for product development and planning; and
- legal and accounting firms, auditors, management consultants and other advisers for the purpose of administering and advising on the Offer and for the associated actions.

Under the Privacy Act 1988 (Cth), you may request access to your personal information that is held by, or on behalf of, the Company. You can request access to your personal information or obtain further information about the Company's privacy practices by contacting the Company or its Share Registry, details of which are set out elsewhere in this Prospectus. The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

In accordance with the requirements of the Corporations Act, information on the Share register will be accessible by the public.

Currency

References in this Prospectus to currency are to Australian currency unless otherwise indicated.

Glossary

Certain terms and abbreviations in this Prospectus have defined meanings that are explained in the Glossary in Appendix A to this Prospectus. Defined terms are generally identifiable by the use of an upper case first letter.

Website

Any references to documents included on the Company's website at www.hexima.com.au are provided for convenience only, and none of the documents or other information available on the website is incorporated by reference into this Prospectus.

Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

Applications

By lodging an Application Form, you declare that you were given access to the entire Prospectus, together with an Application Form. The Company and SaleCo will not accept a completed Application Form if it has reason to believe that an Application Form lodged by an Applicant was not included in, or accompanied by, the Prospectus or if it has reason to believe that the Application Form has been altered or tampered with in any way.

Detailed instructions on completing the respective Application Forms can be found on the back of the Application Forms. The acceptance of an Application Form and the allocation of Offer Shares are at the discretion of the Company and SaleCo.

Limited Assurance Investigating Accountant's Report on the Pro Forma Historical Financial Information and financial services guide

The provider of the Limited Assurance Investigating Accountant's Report on the Pro Forma Historical Financial Information is required to provide Australian retail investors with a financial services guide in relation to its independent review under the Corporations Act. The Limited Assurance Investigating Accountant's Report and accompanying financial services guide are provided in Section 9.

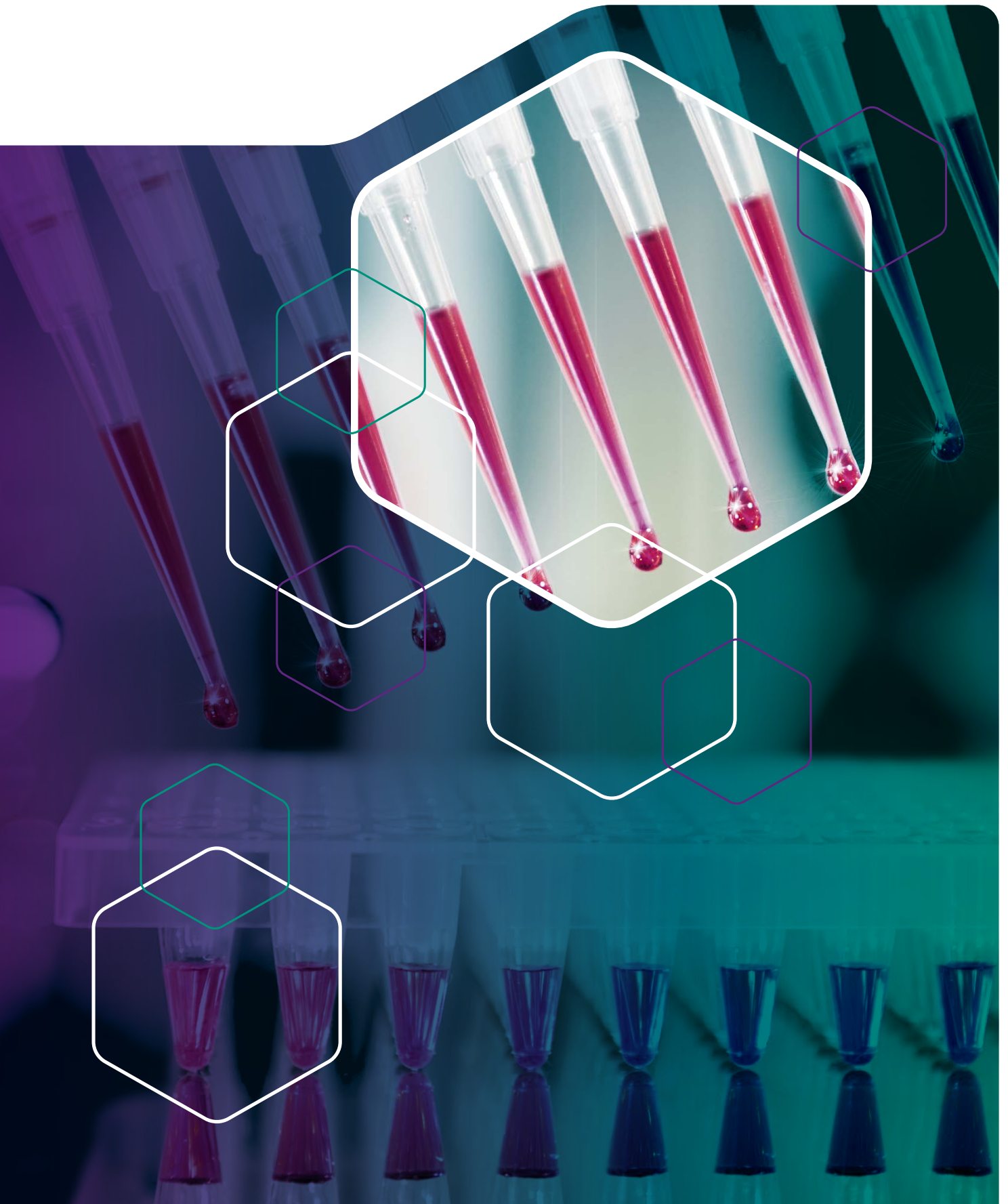
Questions

If you have any questions about how to apply for the Offer Shares, please call your broker or other advisor. Instructions on how to apply for the Offer Shares are set out in Section 8 of this Prospectus and on the back of the Application Form. If you have any questions in relation to the Offer, contact the Hexima Offer Information Line on +61 1800 500 710.

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Chairman's Letter



Dear Investor,

On behalf of the Board, I am pleased to offer you this opportunity to invest in Hexima Limited.

Hexima is developing a novel topical treatment, HXP124, for fungal nail infections (onychomycosis). Onychomycosis is a common condition which is estimated to affect up to 14% of the population in North America and is also common in Asian and European populations. Current treatment options do not adequately meet patient needs, requiring long treatment durations, delivering modest efficacy and/or carrying a risk of severe side effects.

Hexima considers that HXP124 offers the potential to be a global leader in this market, with a superior cure rate, shorter treatment time and/or fewer side effects than existing oral and topical options. Hexima's antifungal technology may also be applicable to a broader range of human fungal diseases.

The proceeds of the Offer will be used to conduct an Australian phase IIb clinical trial to assess the safety, tolerability and efficacy of HXP124 as a topical treatment for onychomycosis. Proceeds will also be used to scale-up manufacturing of HXP124 and to conduct animal toxicology studies required to support late-stage clinical trials in the US.

Through this Prospectus, the Company is inviting investors to subscribe for 15,000,000 New Shares, at an Offer Price of \$0.20 per Share to raise \$3,000,000 (before costs and expenses of the Offer). Existing Shareholders will also have the opportunity to sell their shares through a Share Sale Facility.

This Prospectus contains detailed information about the Offer, the historical position of Hexima and the material risks associated with an investment in the Company. You should be aware that an investment in Hexima is a highly speculative investment given that the Company has not generated any product revenue on HXP124, its lead development candidate and is not currently generating a positive cash flow.

I encourage you to read and understand the Prospectus, and seek independent professional advice as necessary, before making an investment decision.

I look forward to welcoming you as a Shareholder.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Jonathan West', written over a background of light blue circles of varying sizes.

Professor Jonathan West
Chairman

Hexima Limited

15 October 2020

Important dates

Description	Date
Lodgement of Prospectus with ASIC	15 October 2020
Prospectus available	15 October 2020
Offer opens (being the Opening Date)	22 October 2020
Share Sale Facility opens	22 October 2020
Share Sale Facility closes	4 November 2020
Last date for lodgement of Applications and payment (being the Closing Date)	13 November 2020
Issue and transfer of Shares under the Offer	20 November 2020
Expected date of quotation of Shares on ASX	1 December 2020

Notes

This timetable is indicative only and may change.

The Company and SaleCo reserve the right to vary the above dates without notice (including, subject to the Corporations Act, to close the Share Sale Facility or Offer early, to extend the Closing Date, or to accept late Applications, either generally or in particular cases, or to cancel or withdraw the Offer, in each case without notifying any recipient of this Prospectus or any Applicants).

Key Offer statistics

Key Offer Statistics

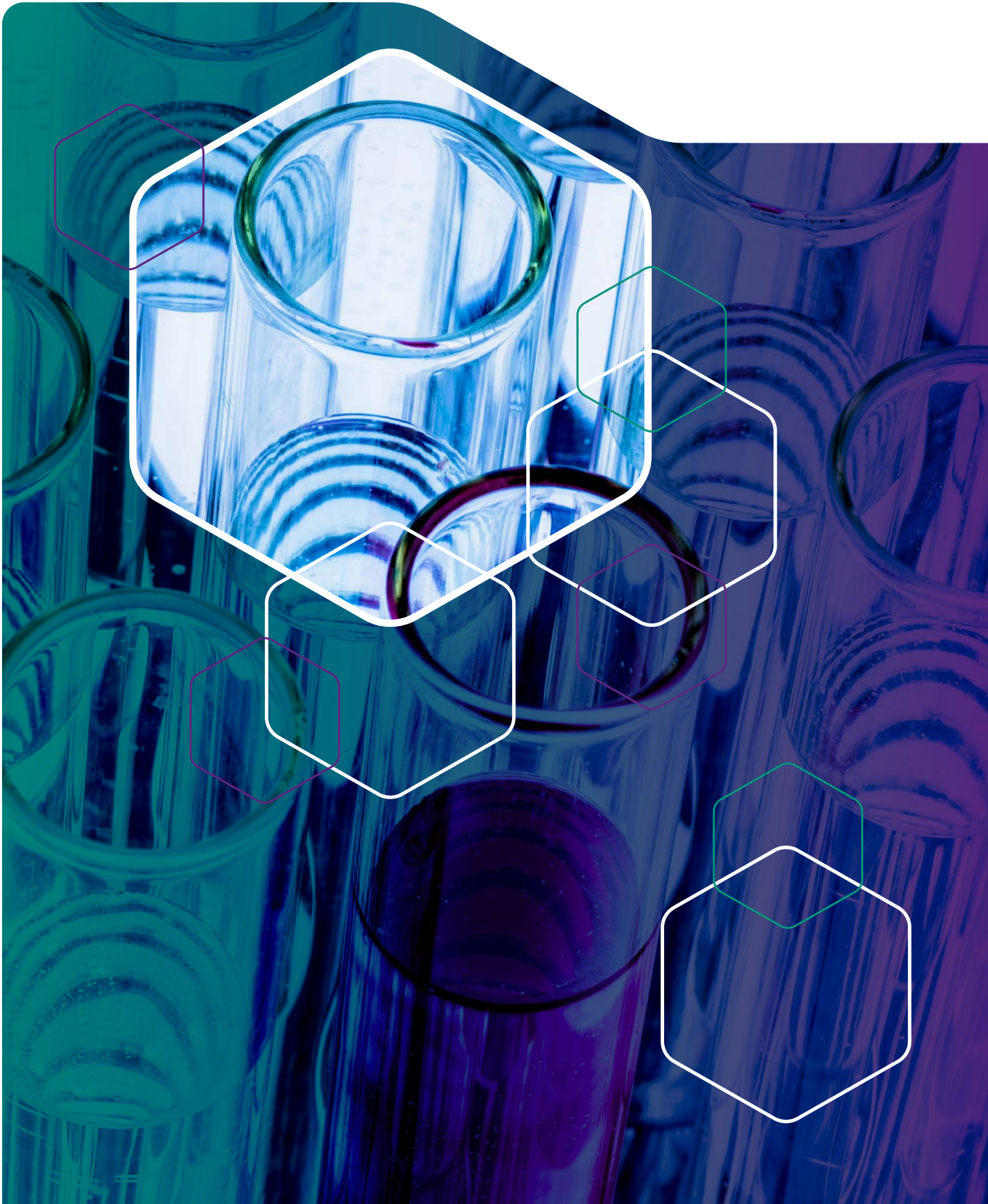
Offer Price per Share	\$0.20
Total Shares on issue at the Prospectus Date	115,857,724
Total proceeds under the Offer	\$3,000,000
Total Shares to be issued under the Offer	15,000,000
Maximum number of Shares to be transferred under the Share Sale Facility	22,500,000
Total Shares on issue at Completion of the Offer	130,857,724
Indicative market capitalisation based on the Offer price	\$26,171,545

Use of proceeds and current cash

USE OF PROCEEDS AND CURRENT CASH	Current cash and proceeds of the Offer \$ million	Approximate % of use of proceeds and current cash
Current cash as at 1 October 2020	5.5	-
R&D tax incentive refund (expected November 2020)	1.9	
Gross Proceeds of the Offer	3.0	-
Total cash on Completion of the Offer	10.4	-
Phase IIb clinical trial	3.4	33%
Scale-up of HXP124 manufacture and production of material for toxicology studies	1.2	11%
Formulation, stability & chemistry, manufacture & controls	0.7	7%
Toxicology studies	2.0	19%
Market research	0.1	1%
Costs of the Offer	0.7	7%
Working capital	2.4	22%
TOTAL	10.4	100%

The expected use of proceeds represents the Company's current intentions based upon the Company's present plans and business conditions and assuming execution of relevant contracts. The amounts and timing of actual expenditure may vary significantly. The table above also includes the Company's current intentions in relation to the use of the Company's current cash and R&D tax incentive receivable of \$1.9 million for FY20 which the Company expects to receive by November 2020. Refer to Section 8.4 for more information. Hexima will pay the costs of the Offer, including any costs of the Offer that are attributable to SaleCo.

Investment overview



1.1

Introduction

Topic	Summary	For more information
Who is Hexima?	<p>Hexima is a biotechnology company actively engaged in the research and development of plant-derived defensin peptides for applications as human therapeutics.</p> <p>Its lead product candidate, HXP124 applied in a topical formulation, is a potential new prescription treatment for toenail fungal infections (or onychomycosis). Hexima is currently conducting a 132 patient Australian phase IIb clinical trial of HXP124 for onychomycosis. Hexima holds granted, long-life patents protecting HXP124 in major markets globally.</p> <p>Hexima is based in Melbourne, Australia.</p>	Section 2.1
What industry and markets does the Company operate in?	Hexima operates in the pharmaceutical product development industry. Its lead product candidate, HXP124, is a potential prescription antifungal agent for the treatment of onychomycosis.	Section 3.1
What is the size and growth of the markets in which Hexima competes?	Onychomycosis is a fungal infection of the fingernail or more commonly the toenail which is estimated to affect up to 14% of the population in North America and is also common in Asian and European populations. The global market for all forms of treatment for onychomycosis was estimated to be US\$3.7 billion in 2018. Its growth is driven primarily by an ageing population in developed countries and a growing healthcare market in emerging economies.	Section 3.1
What is Hexima's business model?	In the US and major western markets, Hexima intends to develop and commercialise its products independently. In Japan and other markets, Hexima intends to license its technology to local partners to develop and commercialise.	Section 2.3
What is the Offer?	The Offer contained in this Prospectus is a public offering of approximately 15,000,000 new Shares at the Offer Price of \$0.20 per Share to raise \$3,000,000 and up to 22,500,000 Shares offered for sale by SaleCo through the Share Sale Facility. Existing Shareholders who wish to participate in the Share Sale Facility must specify the number of Shares they wish to sell by 4 November 2020. Accordingly, the number of Sale Shares available under the Share Sale Facility will not be known until after that date.	Section 8.1
Why is the Offer being conducted?	<p>The purpose of the Offer is to:</p> <ul style="list-style-type: none"> raise funds to progress the phase IIb clinical trial and product development programs for HXP124 as set out in Section 8.4; and provide for opportunities for existing Shareholders to sell up to 22,500,000 Shares in aggregate under the Share Sale Facility. 	Section 8.4
Where will Hexima compete?		
What sectors of the pharmaceutical development industry does the Company operate in?	Hexima's operates in the topical antifungal sector of the pharmaceutical product development industry. Its leading development candidate is a potential prescription antifungal agent for the treatment of onychomycosis.	Section 3.4
Who are the Company's competitors?	<p>Hexima's leading development candidate is HXP124, a potential prescription antifungal agent for the treatment of onychomycosis. HXP124 is in a topical formulation. However, Hexima expects it will compete with both oral and topical prescription treatments for onychomycosis.</p> <p>In addition, there is also a wide range of OTC antifungal and cosmeceutical products available to treat onychomycosis with which HXP124 may compete.</p>	Section 3.4

Topic	Summary	For more information
Key features of Hexima's business model		
How does Hexima generate revenue?	<p>Hexima's leading development candidate, HXP124, is in development phase. Hexima does not generate any product revenue from HXP124. Hexima currently generates limited revenue through the licencing of intellectual property, the sub-leasing of greenhouse facilities and via payments from the Australian research and development tax incentive program, however, it is not cashflow positive.</p> <p>In certain territories, Hexima intends to licence its lead antifungal molecule, HXP124, to a pharmaceutical company or companies to generate upfront and future milestone payments and royalty revenue. In the future, Hexima may also generate revenue through product sales of HXP124.</p>	Section 5
Who will Hexima's customers be?	HXP124 is in the clinical trial phase of its development and is not yet approved for sale in any market. The primary users of HXP124, if approved for marketing, would be patients suffering from onychomycosis.	Section 2.6
What is Hexima's growth strategy?	<p>Our goal is to become a leader in the discovery, development and commercialisation of novel antifungal agents. The Company intends to achieve this goal by:</p> <ul style="list-style-type: none"> • developing and commercialising HXP124 as a prescription treatment for onychomycosis; • developing additional antifungal product candidates from our portfolio of research stage product candidates; and • out-licensing product rights to HXP124 in select international territories. 	<p>Section 2.13</p> <p>Section 3.1</p>
How does the Company expect to fund its operations?	The Company's principal source of funds is expected to be from cash on hand together with net proceeds of the Offer. In addition, the Company applies for and may receive grants from the Australian Federal Government under its research and development tax incentive program.	Section 5
What is the Company's pro forma historical financial performance?	Given its current stage of development, the Company has historically been in a loss-making position.	Section 5
What is the Company's dividend policy?	<p>Given the stage of development of the Company, it is likely that the Company will continue to incur losses for a number of years and is unlikely to pay a dividend for the foreseeable future. The payment of dividends by the Company is at the complete discretion of the Directors.</p> <p>In determining whether to declare future dividends, the Directors will have regard to Hexima's earnings, overall financial condition and capital requirements and the level of franking credits available. There is no certainty that the Company will ever declare and pay a dividend.</p>	Section 11.4
Will the Company be adequately funded on Completion of the Offer?	<p>The Directors believe that following Completion of the Offer, the Company will have sufficient working capital to fulfil the purposes of the Offer and carry out its stated business objectives.</p> <p>Hexima business objectives are:</p> <ul style="list-style-type: none"> • to complete a phase IIb clinical trial to assess HXP124 as a treatment for onychomycosis; • to scale-up manufacture of HXP124; • to complete long-term animal toxicology studies to support late-phase clinical trials in the US under an IND; and • to establish a science advisory board to review and advise on clinical development and market access for HXP124. 	Section 8.4

Topic	Summary	For more information
Key Risks		
There are a number of potential risks associated with the Company and also risks associated with an investment in Shares generally. These risks are summarised in Section 6. This summary does not purport to list every risk that may be associated with an investment in the Offer Shares now or in the future.		
Development and commercialisation of the Company's intellectual property or products	The Company is currently in the process of developing and commercialising its intellectual property and products. While the Company's program for its intellectual property and products are advanced to varying degrees, there are inherent uncertainties that exist in any development and commercialisation program for new biotechnologies and products.	Section 6.2
Technology and product performance	<p>There is no assurance that the Company's technology will meet the regulatory and efficacy hurdles required for regulatory market approval and commercialisation.</p> <p>HXP124 may not prove safe and/or effective in human trials. The level of efficacy that HXP124 demonstrated in the phase I/IIa clinical trial may not be replicated in larger (phase IIb/phase III) clinical trials. HXP124 may not penetrate the nail effectively enough and may not accumulate in the nail bed at a high enough concentration to kill the fungi causing the infection. HXP124 may cause rare but serious adverse events in humans or induce an allergic response in some patients.</p>	Section 6.2
Uncertain demand for the Company's technology and products	As part of its business, the Company is utilising new technology and utilising existing technology in an innovative manner and developing new products. Failure by the Company to appropriately anticipate market demand and achieve customer acceptance of its technology and products may adversely affect the Company.	Section 6.2
Delays in development and commercialisation	The Company is at an early stage in development and commercialisation of its technology and products and any material delays in this process may substantially increase the cost of development. Material delays could also result in the Company failing to commercialise its products.	Section 6.2
Ability to rely on and protect the Company's necessary intellectual property	The Company relies on owned intellectual property and its ability to develop and commercialise intellectual property, as well as third party intellectual property which is licensed or otherwise granted to the Company relating to certain applications. There is a risk that the Company's intellectual property portfolio will not ensure a proprietary market position and therefore will not justify the long term investing in research and development required to generate the Company's existing and future technologies and products.	Section 6.2
Market acceptance of the HXP124 is uncertain	Ultimately, the Company needs to find acceptance for HXP124 and any other products it may develop in a competitive marketplace. Market acceptance depends on many factors, including convincing potential consumers, physicians, insurers, and commercial partners of the attractiveness of HXP124. Failure of HXP124 to gain market acceptance may have an adverse impact on the Company and its ability to commercialise HXP124.	Section 6.2
Research and development capacity	There is no assurance that there will not be difficulties or delays in the development of the Company's technology and products, that the technology and products will be produced to the appropriate standard and at the expected cost or that the testing process capacity can be scaled to the level necessary from time to time. Difficulties in the testing process and delays in the commercialisation process may have an adverse impact on the Company.	Section 6.2
Increased cost of development program	The development program which the Company proposes to undertake with the funds raised under the Offer relies on numerous work items. There is a risk that the work items in the proposed development program may cost more than that budgeted for and as a result the Company may need to obtain additional funds to complete the program. No assurance can be given that future funding will be available, or that it will be available on terms acceptable to the Company.	Section 6.2

Topic	Summary	For more information															
Significant interests of key people and related party transactions																	
Who are the existing Shareholders and what will their interests in the Shares be on Completion of the Offer?	<p>The majority of the existing Shareholders of Hexima acquired their Shares between 2007 and 2011 when the Company was previously listed on the ASX.</p> <p>The Company's securities on Completion of the Offer are as follows:</p> <table> <tr> <th>Category</th><th>Securities</th><th>Percentage</th></tr> <tr> <td>Existing Shares</td><td>115,857,724</td><td>80.6%</td></tr> <tr> <td>Options</td><td>12,878,500</td><td>9%</td></tr> <tr> <td>New Shares</td><td>15,000,000</td><td>10.4%</td></tr> <tr> <td>Total</td><td>143,736,224</td><td>100%</td></tr> </table>	Category	Securities	Percentage	Existing Shares	115,857,724	80.6%	Options	12,878,500	9%	New Shares	15,000,000	10.4%	Total	143,736,224	100%	Section 8.6
Category	Securities	Percentage															
Existing Shares	115,857,724	80.6%															
Options	12,878,500	9%															
New Shares	15,000,000	10.4%															
Total	143,736,224	100%															
What securities will be issued to advisers in connection with the Offer?	Under the Lead Manager Mandate with Canaccord Genuity (Australia) Limited (ACN 075 071 466), the Company has agreed to grant 3,000,000 unquoted options to the Lead Manager.	Section 7.4															
Directors' holdings	As at the Prospectus Date, the Directors and their associates hold, in aggregate, 25,621,067 Shares, being 22.1% of the Shares on issue and 6,400,000 Options having various exercise prices and expiry dates.	Section 7.6															
Will any Shares be subject to restrictions on disposal following Completion of the Offer?	<p>Existing Shareholders have entered into ASX mandatory escrow agreements, or, if applicable, will be given restriction notices, in relation to a total of approximately 10,785,318 Shares in which they (or their associated entities) will hold a relevant interest on Completion of the Offer.</p> <p>The Lead Manager has also entered into an ASX mandatory escrow agreement in relation to the unlisted options granted to it.</p>	Section 7.7															
Proposed use of funds and key terms and conditions of the Offer																	
What is the proposed use of the funds raised under the Offer?	The proceeds of the Offer arising from the Share Sale Facility will be used to pay the Shareholders who elect to sell their Shares through SaleCo. The proceeds for the Company from the issue of New Shares will be used primarily to fund the Company's Phase IIb clinical trial, to scale up manufacture of HXP124 and produce materials required for toxicology studies, to conduct toxicology studies, to provide working capital and to pay the costs of the Offer.	Section 8.4															
Who are the issuers of this Prospectus?	Hexima Limited (ACN 079 319 314) and Hexima SaleCo Pty Ltd (ACN 644 176 278)	Important Information															
Who is SaleCo?	SaleCo is a special purpose vehicle, established to enable existing Shareholders to sell all or part of their investment in Hexima on Completion.	Section 11.6															
What is the Offer?	The Offer contained in this Prospectus is a public offering of approximately 15,000,000 new Shares at the Offer Price of \$0.20 per Share to raise \$3,000,000 and up to 22,500,000 existing Shares offered for sale by SaleCo through the Share Sale Facility.	Section 8.1															

Topic	Summary	For more information
What is the Share Sale Facility	<p>Existing Shareholders have been given the opportunity to sell all or some of their Shares through the Share Sale Facility. Each existing Shareholder can nominate the number of Shares (if any) it wishes to sell (not exceeding 22,500,000 Shares in aggregate). Those Shares are being offered for sale by SaleCo.</p> <p>Refer to Sections 8.2 and 8.3 for more details on how to participate in the Share Sale Facility.</p>	Section 8.2
What is the total Offer size?	<p>The total Offer size will depend on the number of Shareholders that participate in the Share Sale Facility. Existing Shareholders who wish to participate in the Share Sale Facility must specify the number of Shares they wish to sell by 4 November 2020. Accordingly, the number of Sale Shares available under the Share Sale Facility will not be known until after that date.</p>	<p>Section 8.1</p> <p>Section 8.2</p>
Will the Shares be quoted on ASX?	<p>Hexima applied on 15 October 2020 for its admission to the Official List, and quotation of Shares on ASX under the code "HXL".</p> <p>Completion of the Offer is conditional on ASX approving that application and granting permission for the Shares to be quoted on ASX on terms acceptable to the Company. If this approval is not given within three months of the Prospectus Date (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p>	Section 8.10
How is the Offer structured and who is eligible to participate in the Offer?	<p>The Offer contained in this Prospectus is a public offering of approximately 15,000,000 new Shares at the Offer Price of \$0.20 per Share to raise \$3,000,000 and up to 22,500,000 existing Shares offered for sale by SaleCo through the Share Sale Facility.</p> <p>The Offer is open to investors resident in Australia, New Zealand and Hong Kong. Applications received will be applied to the offer of New Shares first and, if the aggregate number of Shares applied for exceeds the number of New Shares, Applications will then be applied to the offer of Sale Shares.</p> <p>The number of Sale Shares offered by SaleCo through the Share Sale Facility will be scaled back on a pro-rata basis if necessary to reflect the Applications received under the Offer and in any case will not exceed 22,500,000 Shares.</p>	<p>Section 8.1</p> <p>Section 8.2</p> <p>Section 8.3</p>
Is the Offer underwritten?	No, the Offer is not underwritten.	Section 8.1
What is the allocation policy?	<p>The allocation of Offer Shares amongst Applicants will be determined by agreement between the Lead Manager and the Company. The Board intends to give priority to Applications from existing Shareholders to the extent reasonably possible having regard to the level of demand from existing Shareholders, the number of Shares available under the Share Sale Facility, the need to achieve the required shareholder spread to re-list on the ASX, the Company's desire to achieve a balance of institutional, sophisticated and retail shareholders following Completion of the Offer and any other factors the Company and Lead Manager consider appropriate.</p> <p>If there are Applications for more than the number of Offer Shares, Applications will be scaled back. The Company, SaleCo and the Lead Manager have absolute discretion regarding the allocation of Offer Shares to Applicants and may reject any Application, or allocate fewer Offer Shares than applied for.</p>	<p>Section 8.1</p> <p>Section 8.9</p>
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commissions or stamp duty will be payable on the acquisition of Offer Shares under this Prospectus or on the sale of Shares through the Share Sale Facility.	Section 8.16

Topic	Summary	For more information
What are the tax implications of investing in the Shares?	A summary of certain Australian tax consequences of participating in the Offer and investing in the Offer Shares is set out in Section 11.11. The tax consequences of any investment in the Offer Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether or not to invest.	Section 11.11
When will successful Applicants receive their holding statements?	It is expected that holding statements will be despatched to successful Applicants by standard post on or around 24 November 2020.	Section 8.11
When can I sell my Shares on ASX?	It is expected that trading of Shares, including the Offer Shares, on the ASX will commence on a normal settlement basis on or about 1 December 2020. It is the responsibility of each person who trades Shares to confirm their holding before trading Shares. Any person who sells Shares before receiving a holding statement does so at their own risk.	Section 8.12
How can an Applicant apply for Shares?	Applicants under the Offer may apply for Offer Shares by completing a valid Application Form online via the Offer website (https://events.miraqle.com/hexima-public-offer/).	Section 8.8
Can the Offer be withdrawn?	The Company and SaleCo reserve the right to withdraw the Offer at any time before the issue or transfer of Offer Shares to Applicants under the Offer. If the Offer does not proceed, Application Monies received will be refunded (without interest) in accordance with the Corporations Act.	Section 8.19
Where can I find out more information about the Offer?	All enquiries in relation to this Prospectus should be directed to the Share Registry on: <ul style="list-style-type: none"> • within Australia: 1800 500 710; or • outside Australia: +61 1800 500 710, from 8:30am to 5:30pm Monday to Friday (excluding public holidays).	Section 8.17

Company Overview



2.1

Overview

Hexima is a biotechnology company engaged in the research and development of plant-derived defensin peptides for applications as human therapeutics. Its lead product candidate, HXP124 applied in a topical formulation, is a potential new prescription treatment for toenail fungal infections (or onychomycosis). Hexima is currently conducting a 132 patient Australian phase IIb clinical trial of HXP124 for onychomycosis. Hexima holds granted, long-life patents protecting HXP124 in major markets globally.

Hexima was formed in 1997 to research and develop plant-derived innate immunity peptides. Initially, Hexima sought to develop this technology to enhance the resistance of crops to insects and fungal pathogens. In order to fund its agricultural biotech research and development program, Hexima conducted an initial public offer in 2007, raising \$40 million and was admitted to the official list of the ASX. Hexima entered into research and collaboration agreements with large ag-biotech companies in relation to a number of potential applications to further this ag-biotech program.

In June 2011, the shareholders of Hexima approved its delisting from the ASX. At the time, the Board considered that Hexima's market valuation did not reflect the underlying value of Hexima's technologies.

During its ag-biotech program, Hexima identified several potent antifungal plant defensin peptides which had promising activity against major agricultural fungal pathogens. However, in 2015, several technical and market-related challenges meant the path to commercialisation for this technology remained very long (>10 years) and would require substantial additional capital. By this time, Hexima had identified several potent antifungal plant defensin peptides which also had excellent activity against fungal pathogens of humans. From 2016, Hexima focused on the human application of its technologies, including the development of its lead antifungal molecule HXP124 as a treatment for onychomycosis, as the Board considered that this application represented the most attractive opportunity for the Company.

Hexima funded its preclinical and early clinical development of HXP124 by a \$3.9 million rights issue in 2017. In 2018, Hexima conducted an Australian phase I/IIa clinical trial designed to test the safety and preliminary efficacy of 6 weeks of daily topical treatment with HXP124 to patients with onychomycosis.

In 2019, Hexima raised \$3 million from the issue of Convertible Notes to continue development of HXP124. In September 2020, Hexima completed a Placement to institutional and sophisticated investors to raise a further \$5.5 million to fund a phase IIb clinical trial for onychomycosis. This Placement also triggered conversion of the Convertible Notes.

To date, Hexima has invested more than \$25 million into the development of HXP124.

2.2

Hexima's solution

HXP124 is a naturally occurring plant peptide, of a class referred to as plant defensins, which refers to their evolutionary role in plant protection. Plant defensins represent a novel class of molecule with several attributes that make them suitable for use as drugs:

- Their chemical structure makes them extremely stable and resistant to extremes of pH (<2) and temperature (>95°C), meaning that they are stable in a range of formulations;
- They are highly water soluble, eliminating the need for complex and toxic solvent systems in formulation; and
- They can be produced using an off-patent yeast expression system and their small size and positive charge allows for a simple purification process which allow for cost-effective manufacture.

Hexima considers HXP124 addresses the important shortcomings of available treatments for onychomycosis and offers the potential for successful commercialisation. HXP124 is a broad spectrum and powerful antifungal agent which penetrates human nails very rapidly. In a phase I/IIa clinical trial conducted by Hexima in Australia, HXP124 applied daily for just 6 weeks was:

- **More effective**, clearing fungus from the nail two-times more effectively than current best-in-class (oral and topical) products at the same time point
- **Faster acting**, cleared fungus with a dramatically shorter course of therapy than current topical products
- **Safe and well tolerated**, with no treatment area irritation or treatment-related adverse events
- **Locally acting**, HXP124 effectively penetrates nails but is not detected in the blood stream and has not presented any systemic toxicity

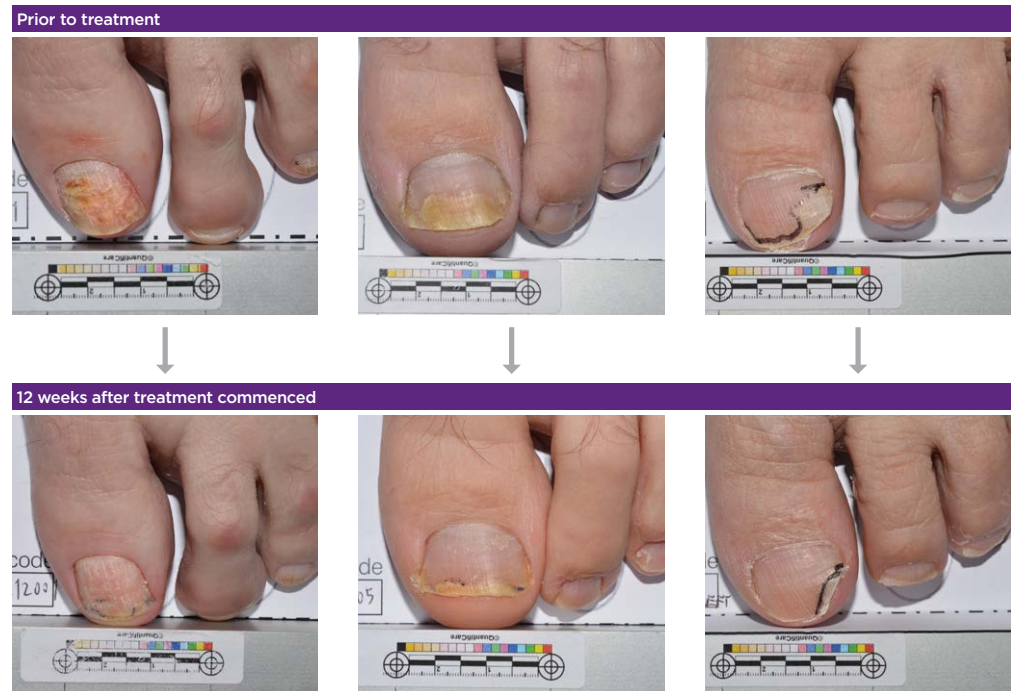


Figure 1: photographs of HXP124-treated nails after 6 weeks of treatment and 6 weeks of follow-up (12 weeks from beginning of treatment)

Hexima considers these product features meet a well-defined and under-served market need in the treatment of onychomycosis and, subject to completion of successful clinical trial and product development programs, HXP124 has the potential to capture significant market share in major global pharmaceutical markets.

2.3

Strategy

Hexima owns exclusive product rights to HXP124. Hexima's rights to HXP124 are protected by patents granted in major international pharmaceutical markets including the United States and Japan. Additional patent applications protecting HXP124 as a treatment for onychomycosis have been accepted for grant or are pending in several other jurisdictions. See the Intellectual Property Report in Section 10 for further details.

The most attractive and well-developed market for topical products to treat onychomycosis is the US. In addition, the Japanese market is large and attractive.

Hexima's strategy is to pursue the independent global (ex-Japan) development of HXP124, focusing on the US market. Given the unique dynamics of the Japanese market, Hexima is seeking a partner for a collaborative development and commercialization relationship in Japan.

Hexima has commenced its clinical trial and product development program in Australia, and to date has completed a phase I/IIa clinical trial and has initiated a phase IIb study. Australia represents a cost-efficient and accessible development environment for early stage pharmaceutical product development and Hexima benefits from funding under the Australian R&D Tax Rebate scheme.

Later stage clinical development of HXP124 will focus on the US market and Hexima has initiated the build out of its US product development capability with experienced individuals in management and at Board level based in the San Francisco Bay Area of California.

2.4

Research and pre-clinical development

Hexima has undertaken years of research to discover and understand the properties and potential of antifungal plant defensins, of which HXP124 is its leading candidate. HXP124 was selected via a rigorous screening process for its superior ability to penetrate the nail and its broad spectrum, powerful and rapid activity against the fungal pathogens responsible for onychomycosis.

HXP124 rapidly kills fungal cells

For the treatment of onychomycosis, a fungicidal mode of action is beneficial as it will likely eradicate fungal cells at the site of infection and help prevent reinfection. HXP124 rapidly kills fungal cells and testing undertaken by Hexima to date appears to indicate that it does so at lower concentrations than those competitor molecules set out in Figure 2. HXP124 is specific for fungal cells and does not impact the viability of human cells.

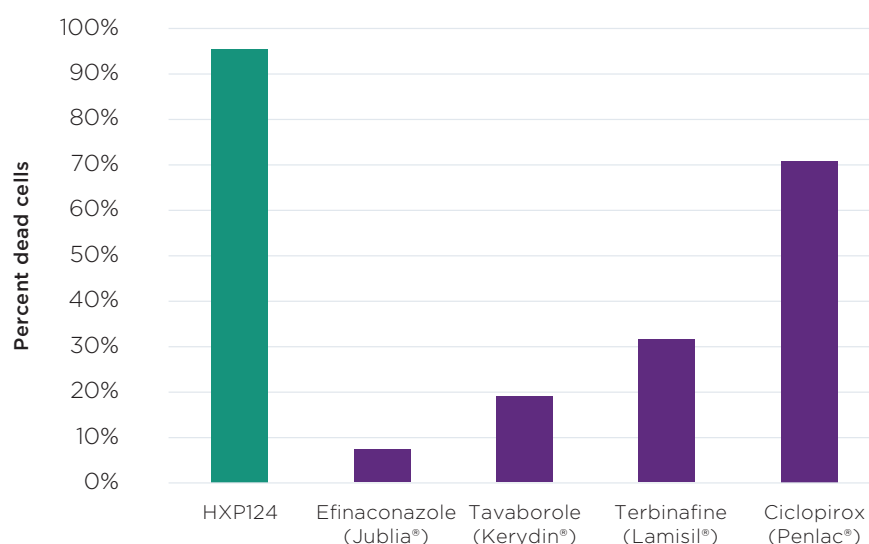


Figure 2: HXP124 rapidly kills fungal cells.

Cells of the pathogenic yeast *Candida albicans* were treated with HXP124, efinaconazole, tavaborole, terbinafine or ciclopirox at 100 µg/mL for 30 minutes. Propidium iodide was used to fluorescently label dead cells, which were detected by flow cytometry, and the percentage of living and dead cells was calculated.

HXP124 Penetrates the Human Nail Plate

For a molecule to serve as a potent and effective treatment for onychomycosis, it must readily penetrate the human nail plate and reach the site of infection. This has been an enormous hurdle for many products. HXP124 penetrates the human nail plate and preliminary data indicates that it does so with greater efficiency than current therapies used to treat onychomycosis (Figure 3). On average, over 16% of the applied dose penetrated through the nail plate by day 10 compared with less than 3% for efinaconazole (Jublia®). The faster and more efficient penetration of HXP124 through nails makes it a superior candidate for the treatment of fungal nail infections.

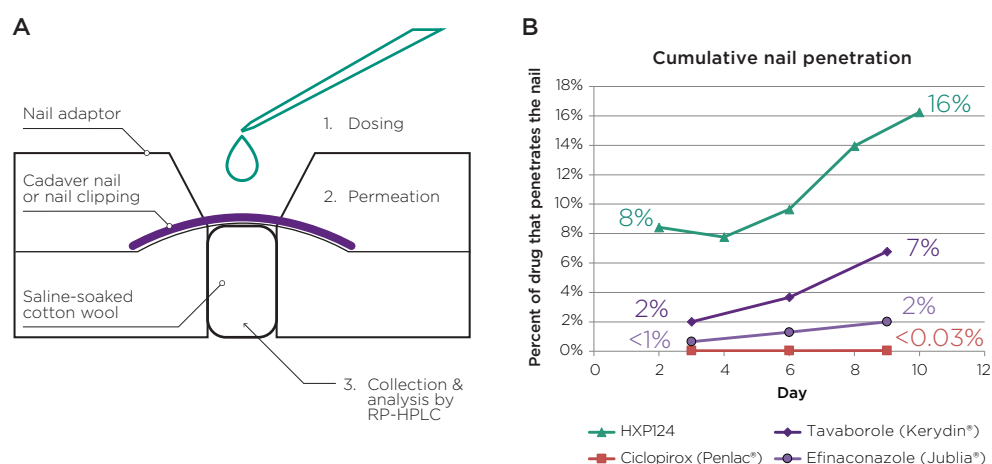


Figure 3: HXP124 readily penetrates human nails

(A) Schematic depicting how nail penetration is assessed. HXP124 was applied to human nails using the method developed by Professor Howard Maibach, a dermatologist and researcher at University of California San Francisco Medical Centre. Briefly, (1) nails were sealed in an adapter over saline-soaked cotton wool and HXP124 (10 μ L of 1% solution) was applied to the top of the nail plate daily for up to 14 days (2). (3) Penetration was assessed by analysing the amount of HXP124 that had reached the cotton wool using RP-HPLC. (B) HXP124 penetrates human nails faster and more efficiently than competitor molecules.

In order to initiate its Australian clinical development program, Hexima completed a comprehensive package of pre-clinical toxicology and manufacturing studies. This data package was the basis of its submission to Australian regulatory authorities for the commencement of its Australian phase I/IIa and phase IIb clinical trials.

Hexima plans to conduct further non-clinical toxicology studies in animals as well as manufacturing development activities prior to advancing to later stage clinical development in the US.

2.5

Australian phase I/IIa clinical trial

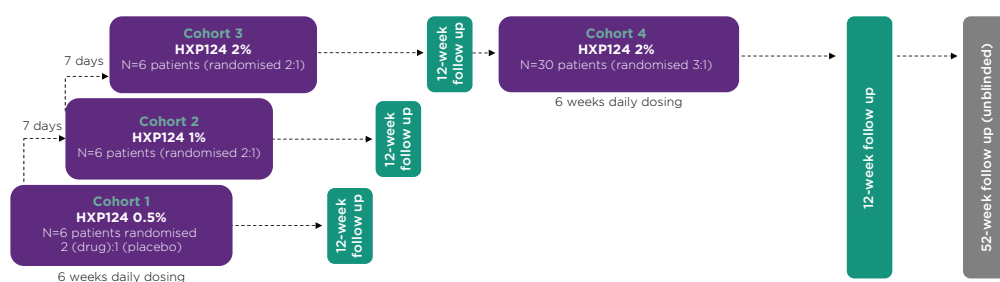
In 2019, Hexima completed an Australian phase I/IIa clinical trial designed to test the safety and preliminary efficacy of 6 weeks of daily topical treatment with HXP124 to patients with onychomycosis.

Patients applied HXP124 (or a formulation that did not contain HXP124) daily for 6 weeks. Patients were then followed for a further 6 weeks (total of 12 weeks) to assess the efficacy of HXP124. The trial was a double-blind trial so neither the patient or the investigator knew who was receiving drug.

The trial initially assessed the safety and tolerability of HXP124 at increasing doses in a small number of patients. Once the top dose (2% w/v) was demonstrated to be safe, additional patients were enrolled at this top dose.

In addition to the follow-up at 12 weeks, the final group of patients (Cohort 4) were also followed-up at 52 weeks. At this point the trial was no longer blinded.

Phase I/IIa clinical trial design



The results of the phase I/IIa trial were highly promising, with HXP124 demonstrating it was:

- **Safe and well tolerated**, no treatment area adverse side effects or irritation;
- **Not absorbed through the skin and into the bloodstream**, no systemic toxicity; and
- **Effective in killing fungal infections**: eliminating the fungal infection in 52% of nails at 12 weeks after only 6 weeks of daily treatment (approximately twice as effective as the next best existing product at that time point).

Mycological cure

During the phase I/IIa clinical trial, the presence of fungus in the nail bed was assessed visually by staining nail clippings and/or scrapings collected from affected nails as well as by culture to look for living fungus in the nail clippings and/or scrapings. Nails that were negative for both stain and culture were described as having achieved mycological cure.

After 6 weeks of treatment and a further 6 weeks of follow-up, 79% of HXP124-treated nails were culture negative (indicating no living fungus was present in the samples collected) and 57% were stain negative (indicating fungal elements were not observed by microscopy). This compared to 41% and 29% respectively for nails treated with a formulation not containing HXP124. More than half (52%) of the HXP124-treated nails had achieved mycological cure (negative for stain and culture) after 12 weeks (versus 24% for formulation without HXP124) (Figure 4). In phase III studies, the leading topical product in the US (Jublia®) was reported to have a mycological cure of up to 24% after 12 weeks of treatment.

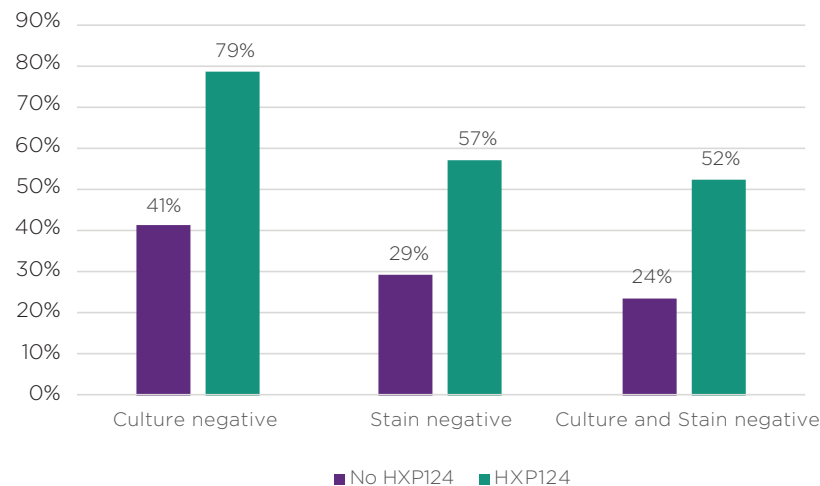


Figure 4: Percentage of onychomycosis patients with culture negative, stain negative, or culture and stain negative nail clippings and/or scrapings

Clinical efficacy

Clearing of the infected nail area was also monitored visually during the phase I/IIa clinical study. Patients whose nails had cleared to the point where <10% of the nail area was affected (i.e., >90% healthy nail surface) achieved clinical efficacy.

After 6 weeks of treatment and 6 weeks of follow-up, 19.5% of HXP124-treated nails achieved clinical efficacy. In contrast, only one nail (5.9%) treated with the formulation not containing HXP124 achieved clinical efficacy (Figure 5).

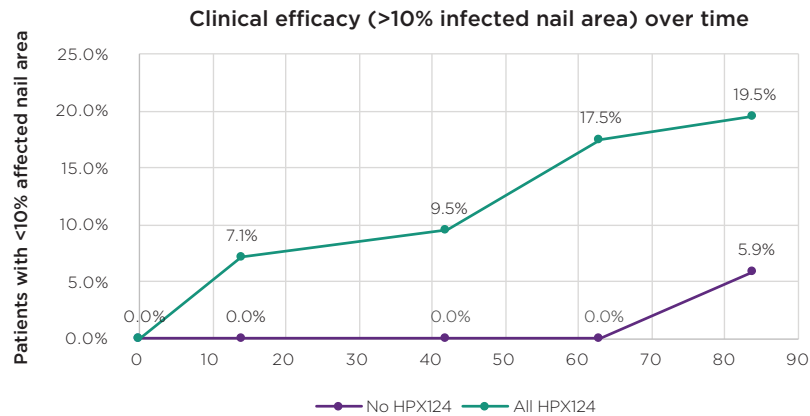


Figure 5: Percentage of onychomycosis patients to achieve clinical efficacy (<10% affected nail area)

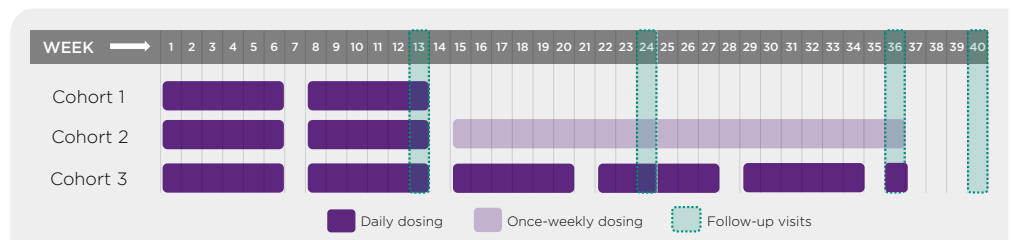
While this clinical study delivered on its primary goal of safety and tolerability together with documented, valuable evidence of efficacy, Hexima did see reinfection in some HXP124-treated patients at 12 months (10.5 months after treatment completed). Hexima considers a longer course of therapy (12 weeks and longer and potentially a weekly maintenance dose) will induce a more durable clearance of the fungal infection. Hexima is testing these optimized treatment regimens in its current Australia phase IIb clinical trial.

2.6

Australian phase IIb clinical trial

Hexima recently commenced a phase IIb clinical trial in Australia with 132 patients with onychomycosis. This study is seeking to identify the optimal course of therapy for HXP124 and is comparing 12 weeks versus 31 weeks of daily therapy as well as 12 weeks of daily therapy followed by weekly maintenance therapy out to 36 weeks. The patients receiving treatment with HXP124 are being compared to patients being treated with a formulation not containing HXP124 at a ratio of 3:1.

Phase IIb clinical trial design



Hexima has contracted multiple clinical sites across Australia and two in New Zealand to enrol patients in this trial. It expects the trial to be completed and results to be available in the Q1 2022. The results of this clinical trial will be a key platform for Hexima to initiate its phase III clinical trial program in the US.

2.7

IND Application with US FDA

Consistent with its product development strategy, Hexima intends to submit an Investigational New Drug Application (IND) to the United States Food and Drug Administration to conduct late-stage clinical trials for HXP124 as a treatment for onychomycosis in the US. Prior to making that application Hexima will complete certain additional non-clinical development activities including:

- 6-month, repeat-dose safety studies, dermal in the mini-pig and IV in the rat; and
- Scale-up manufacturing of HXP124 drug substance and the drug product to commercial scale.

Hexima anticipates completing these activities while the phase IIb clinical trial is ongoing during 2021. If the phase IIb clinical trial is successful, Hexima would then submit an IND Application to FDA.

2.8

Phase III clinical trials

Subject to the outcomes of its Australian phase IIb clinical trial, Hexima intends to conduct its phase III clinical trial program primarily in the US under an Investigational New Drug Application filed with FDA. Hexima intends to conduct these studies at multiple clinical sites across the US and potentially internationally and engage clinicians who are active in the development of new approaches in the management of onychomycosis and who are well recognised by their peers. Hexima will need to secure further funding to conduct the future phase III clinical trials.

2.9

Manufacturing

Hexima has developed a manufacturing technique and produces HXP124 in a yeast-based biologic manufacturing system. Following fermentation, the HXP124 drug substance is purified from the culture medium then filtered and formulated in an aqueous liquid to form the HXP124 drug product.

The drug product is filled into 5 mL glass vials that have a screw-cap lid with an internal micro-bristle brush applicator attached (Figure 6). The brush is designed to deliver approximately 20 microliters per application. Hexima has conducted stability studies to demonstrate that the HXP124 drug product retains activity in its brush cap container at 25°C (room temperature) for 24 months.



Figure 6: Brush cap and vial used to deliver HXP124.

Hexima has conducted manufacturing of HXP124 drug substance at a contract manufacturer in Australia to GMP standards for clinical trial purposes. Hexima has recently transferred HXP124 manufacturing to a commercial-scale GMP contract manufacturer in Europe in anticipation of large-scale manufacturing requirements. Under its agreement with the European manufacturer, if the Company elects to commercially exploit HXP124 alone or through an affiliate, agent, licensee or commercial partner, the European manufacturer has a right of first refusal to be the exclusive and primary source of product manufacturing. Further details of the manufacturing agreement are contained in Section 11.7(h).

2.10

Market research

To assist Hexima in optimising HXP124's acceptance in the US market, Hexima has initiated a program of US market research to understand US clinician, patient and payer perspectives on the preferred product profile for a topical treatment for onychomycosis. Hexima plans to engage a scientific advisory board to work with Hexima to understand how the activity of HXP124 against fungal infections can be optimized in the product features of HXP124.

In addition, Hexima has a communications plan focused on scientific conferences, relevant scientific publications, and utilizing other communication forums to ensure that the product features of HXP124 are effectively communicated in the US market.

2.11

Planned development timeline



2.12

Intellectual property

Hexima currently holds 4 granted patents (USA, Japan, and Singapore), 1 accepted patent (Europe) and 15 pending patent applications covering the use of HXP124 as a treatment for onychomycosis. These patents expire in 2035. As a new biologic drug, HXP124 is also eligible for market exclusivity in the US following its market approval.

Hexima also holds 1 granted patent, 1 accepted patent and 8 pending patent applications covering the use of plant defensins, including HXP124, for treatment of other human fungal infections.

Hexima's intellectual property strategy involves active monitoring of its research to identify new opportunities to secure protection for its products and inventions.

2.13

Additional indications

In addition to its use as a treatment for onychomycosis, HXP124 may be useful for treating other topical fungal infections. HXP124 and other defensins identified in Hexima's research programs have potent antifungal activity against a range of human and animal pathogens, including *Candida* species which cause thrush, dermatophytes that cause skin infections, and non-dermatophytic molds which can cause a range of superficial and systemic infections. Hexima is currently focused on HXP124 as a treatment for onychomycosis. However, other human and animal fungal diseases may present future product development opportunities for Hexima.

Industry overview



3.1

Onychomycosis

Onychomycosis is a fungal infection of the fingernail, or more commonly, the toenail. It is estimated to affect up to 14% of the population in North America and is also common in Asian and European populations. Onychomycosis is more common in the elderly and is twice as common in males. Other risk factors include diabetes, immunodeficiency, and athletes' foot.

Symptoms of onychomycosis include nail thickening, discoloration and separation of the nail plate from the nail bed. It is disfiguring and unsightly and in more severe forms causes pain, disability and malodour.



Figure 7: Clinical manifestation of onychomycosis

(A) An onychomycosis affected nail showing discolouration of the nail plate. (B) A schematic representation of a toenail showing the nail plate covering the nail bed, the main site of infection.

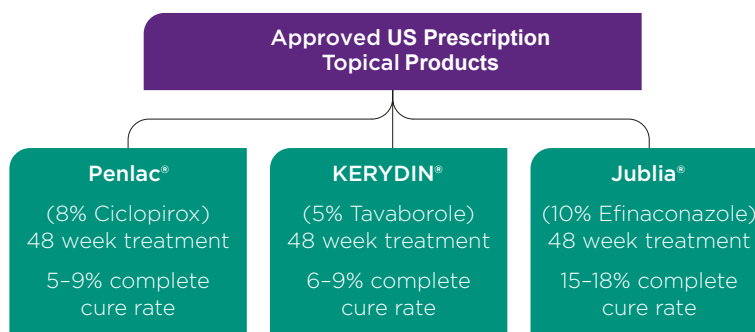
The global market for all forms of treatment for onychomycosis was estimated at US\$3.7 billion in 2018. Its growth is driven primarily by an ageing population in most developed countries.

Despite only a 15-18% cure rate, sales of the current leading topical product in the US, Jublia®, reached US\$330 million in the US in 2015. In Japan, this product is known as Clenafin® and marketed by Kaken Pharmaceuticals. Sales of Jublia® and Clenafin® were >US\$320 million across the US and Japan in 2019.

3.2

Treatment options for onychomycosis and their limitations

Onychomycosis can be treated using topical products or oral (systemic) drugs. Current FDA-approved topical treatments for onychomycosis require daily application for 48 weeks and, even after the exhaustive treatment regimen, have modest complete cure rates of 5-18%. These limitations result in poor patient compliance and dissatisfaction with treatment outcomes.



Several oral treatments are also approved for the treatment of onychomycosis including itraconazole (Sporanox®) and terbinafine (Lamisil®). Oral drugs have higher cure rates (14% and 38% for itraconazole and terbinafine respectively) and shorter treatment duration (12 weeks) but are associated with the risk of serious side effects including liver toxicity and more common side effects such as nausea, taste disturbance and flatulence. As such, there is a need for a safe and effective treatment for onychomycosis.

Several OTC (over the counter) and cosmeceutical products are also available. These products are typically not strong enough to penetrate the nail plate and resolve the fungal infection or are only intended to treat the appearance of the nail and not cure the infection.



Based on US primary market research conducted for Hexima, clinicians and their patients would be highly supportive of a convenient, easy to apply and safe topical treatment option which delivers efficacy approaching that of the oral therapies but which has a shorter course of therapy than the 1 year required by the existing approved topicals.

3.3

Commercial opportunity

Hexima considers its most attractive commercial opportunity to be targeting the traditional US prescriber base with a message of a more convenient, shorter course topical therapy with improved efficacy in treating onychomycosis.

In the US, patients with onychomycosis will typically visit a primary care physician or podiatrist, although onychomycosis is often an incidental finding for patients visiting primary care doctors. Podiatrists and dermatologists are the most common disease manager. Physicians can complete a diagnosis of onychomycosis based solely on a visual inspection and prescribe an appropriate therapy. In some cases, physicians may order a diagnosis confirmation to determine the specific fungal pathogen and to access reimbursement for specific, more expensive treatments that have payer-mandated access restrictions. Hexima will seek awareness of HXP124 among this prescriber base through a marketing program aligning with key opinion leaders in specialist prescriber bases of podiatry and dermatology and associated publishing and medical education programs.

3.4

Competition

Hexima's leading development candidate is HXP124, a potential prescription antifungal agent for the treatment of onychomycosis. HXP124 is in a topical formulation, however Hexima expects it will compete with both oral and topical prescription treatments for onychomycosis.

The most effective prescription topical product in the US is Jublia® (active ingredient efinaconazole). Other FDA-approved topical products include Kerydin® (tavaborole) and Penlac® (ciclopirox). All these topical products require daily application for 48 weeks and deliver lower efficacy (5-18% complete cure).

Oral treatments for onychomycosis infections include Sporanox® (itraconazole) and Lamisil® (terbinafine). These products deliver better efficacy (14-38% complete cure) but are associated with the risk of serious side effects including liver toxicity and more common side effects such as nausea, taste disturbance and flatulence.

There are also a wide range of OTC (over the counter) antifungal and cosmeceutical products available to treat onychomycosis.

Hexima also competes with other pharmaceutical product development companies for development capital and talented human resources. Many of these competitors have significantly more capital resources than Hexima.

Board and Management



4.1

Board

The Directors bring to the Board relevant experience and skills, including industry and business knowledge, business development, financial management and corporate governance experience.

The composition of the Board committees and details of the Board's key corporate governance policies are set out in Section 4.3.

Non-Executive Chairman: Professor Jonathan West, BA (University of Sydney), PhD (Harvard University)

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 the non-executive chairman of Gowing Bros Limited and non-executive director of Boundary Bend Limited and the Hydration Pharmaceuticals Company Limited.

Professor West has been a Director of the Company since 7 November 2005 and was appointed non-executive Chairman on 18 November 2014.

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

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

Between 2003 and 2009, Mr. Aldridge served as Chief Executive Officer and a member of the board of directors and a strategic consultant of Peplin, Inc., a publicly-traded drug development company acquired by LEO Pharma A/S in 2009. Prior to that, Mr. Aldridge held investment banking positions at various financial firms, including Wilson HTM Investment Group, Bear, Stearns & Co., Volpe, Brown, Whelan & Company and S.G. Warburg Group. Mr. Aldridge received a BSc (Hons) 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.

Executive Director and Chief Operating Officer: Dr Nicole van der Weerden, BSc, PhD (La Trobe University), MBA (Melbourne Business School)

Dr. Nicole van der Weerden completed her PhD in Biochemistry at La Trobe University in 2007. Her PhD research on the antifungal properties and mechanism of action of plant defensins led to the award of a prestigious Victoria Fellowship in 2006. Since completing her PhD, Dr. van der Weerden has worked for Hexima and has led the gene discovery program for the Pioneer partnership on control of fungal diseases in corn. She led the Hexima team that identified the clinical opportunities for plant antifungal molecules and discovered and developed 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 appointed Hexima's Chief Operating Officer in 2014 and was Chief Executive Officer between December 2015 and September 2020.

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

Executive Director and Chief Science Officer: Professor Marilyn Anderson AO, FAAS, FATSE, FAICD, BSc (Hons) (The University of Melbourne), PhD (LaTrobe University)

Professor Marilyn Anderson AO is a founding scientist of Hexima. She has over 40 years' experience in scientific research in the area of biochemistry and genetics. After completing a BSc Honours at The University of Melbourne and a PhD in Biochemistry at La Trobe University, Professor Anderson spent seven years in the United States working on diabetes at the University of Miami Florida, and molecular biology at Cold Spring Harbor Laboratory NY. She is an expert on antifungal and insecticidal molecules produced by plants. She is a fellow of the Australian Academy of Science, the Australian Academy of Technology and Engineering and the Australian Institute of Company Directors.

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

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

Non-Executive Director: Scott Robertson, BSBA (University of Southern California), MBA (University of California)

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 before 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.

Non-Executive Director: Justin Yap, BCom (University of NSW)

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 distributor of integrated operating room technology to hospitals around Australia. Prior to this, he began his career in investment banking for Mosaic Risk Management Pty Ltd, a wholly owned subsidiary of Wilson HTM Limited specialising in derivatives risk management.

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

4.2

Executive management team

Chief Executive Officer: Michael D Aldridge, BSc (Hons) (University of Canterbury) M.A. Applied Finance (Macquarie University)

See Section 4.1

Chief Operating Officer: Dr Nicole van der Weerden, BSc, PhD (La Trobe University), MBA (Melbourne Business School)

See Section 4.1.

Chief Science Officer: Professor Marilyn Anderson AO, BSc (Hons) (The University of Melbourne), PhD (LaTrobe University)

See Section 4.1

Chief Development Officer: Peter J Welburn, BSc (Hons) (Pharmacology) (University of Edinburgh), PhD (University of Cardiff)

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 also an author on numerous scientific publications and most recently was invited to contribute a chapter on Picato for the book "To Heal the Skin". Dr Welburn is also an invited lecturer for the Bioscience Enterprise programme at the University of Auckland.

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

Company Secretary and Financial Controller: Helen Molloy BBus, (Federation University) ASCPA

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 10 years and was appointed sole company secretary for the Group in November 2019.

4.3

Corporate governance

This Section 4.3 explains how the Board oversees the management of the Company's business. The Board is responsible for the overall corporate governance of the Company. The Board monitors the operational and financial position and performance of the Company and oversees its business strategy including approving the strategic goals of the Company and considering and approving an annual business plan, including a budget. The Board is committed to maximising performance, generating financial returns and greater value for Shareholders, and sustaining the growth and success of the Company. In conducting the Company's business with these objectives, the Board seeks to ensure that the Company is properly managed to protect and enhance Shareholder interests, and that the Company, and its Directors, senior management and other personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing the Company including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the Company's business and which are designed to promote the responsible management and conduct of the Company.

The main policies and practices adopted by the Company are summarised below and are drafted in accordance with the ASX Recommendations. In addition, many governance elements are contained in the Constitution.

(1)

Composition of the Board

The Board of Directors comprises two independent Non-Executive Directors (including the Chairman), one non-independent Non-Executive Director, the Chief Executive Officer, Chief Operating Officer and the Chief Science Officer.

Detailed biographies of the Board members are provided in Section 4.1.

The Board considers an independent Director to be a Non-Executive Director who is not a member of senior management and who is free of any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of their judgement. The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time.

The Board Charter sets out guidelines and thresholds of materiality for the purpose of determining the independence of Directors.

The Board considers that each of Professor Jonathan West and Scott Robertson are independent Directors as each is free from any interest, position, association or relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of their judgement.

Related parties of Justin Yap hold substantial shareholdings in the Company and therefore Mr Yap is not considered independent. Executive Directors Michael D Aldridge, the Chief Executive Officer of the Company, Dr Nicole van der Weerden, the Chief Operating Officer and Professor Marilyn A Anderson, the Chief Science Officer of the Company, are also not considered to be independent Directors.

The Board considers that each of the Non-Executive Directors brings objective and independent judgement to the Board's deliberations and that each of the Non Executive Directors makes a valuable contribution to the Company through the skills they bring to the Board and their understanding of the Company's business.

(2)

Board committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities.

The Board has established the Audit and Risk Management Committee and the Remuneration and Nomination Committee.

Other committees may be established by the Board as and when required. Membership of Board committees will be based on the needs of the Company, relevant legislative and other requirements and the skills and experience of individual Directors.

The Company has a Remuneration and Nomination Committee and an Audit and Risk Management Committee.

The purpose and responsibilities of each Board committee is explained in Section 4.4(3). Each Board committee will, on a yearly basis, undertake an evaluation on its performance and effectiveness, review its membership and its charter and make appropriate recommendations to the Board.

(3)

Governance policies

Policy	Comments
Workplace Health and Safety	<p>Hexima has a workplace discrimination and harassment policy to ensure that employees and stakeholders are treated fairly and respectfully at all times and a workplace health and safety policy to ensure a safe and healthy workplace is maintained for all stakeholders.</p>
Board Charter	<p>The Board believes that corporate governance is essential to improving the Company's performance, generating returns for investors and promoting investor confidence. As a result, the Board has created a written charter, which outlines some of the following aspects:</p> <ul style="list-style-type: none">• the composition of the Board;• the role and responsibilities of the Board;• the authority delegated by the Board to committees and management; and• the interactions and relationship between management and the Board. <p>The Board is responsible for protecting the rights and interests of the Company, its Shareholders and other stakeholders, including creditors and employees, and is accountable to them for the overall management of the Company.</p> <p>The Board's responsibilities include:</p> <ul style="list-style-type: none">• protecting and enhancing the value of the assets of the Company;• setting strategies, directions and monitoring and reviewing against these strategic objectives;• reviewing and ratifying internal controls, codes of conduct and legal compliance;• reviewing the Company's accounts;• approval and review of the one year operating budget and five year strategic plan for the Company;• evaluating performance and determining the remuneration of the Chief Executive Officer and senior management;• ensuring the significant risks facing the Company have been identified and adequate control monitoring and reporting mechanisms are in place;• approval of transactions relating to acquisitions, divestments and capital expenditure above delegated authority limits;• approval of financial and dividend policy;• appointment of the Chief Executive Officer;• overseeing the Company's process for making appropriate disclosures of all material information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and• monitoring the effectiveness of the Company's governance practices. <p>A copy of the Board Charter is available on the Company's website at www.hexima.com.au.</p>

Policy	Comments
Remuneration and Nomination Committee Charter	<p>The Remuneration and Nomination Committee Charter sets out the purpose, duties, structure and voting arrangements of the Remuneration and Nomination Committee.</p> <p>Currently, Scott Robertson, Professor Jonathan West, and Justin Yap are members of the committee. Scott Robertson is Chairman of this committee.</p> <p>The responsibilities of the Remuneration and Nomination Committee is to facilitate a board performance assessment, develop criteria for Board membership, identify suitably skilled, qualified and experienced individuals for nomination and to establish processes for the review of the performance of Directors. In the area of remuneration, the committee is expected to review and make recommendations to the Board on remuneration packages and policies applicable to senior management and Directors.</p> <p>Some of the specific matters the Remuneration and Nomination Committee may consider, include:</p> <ul style="list-style-type: none"> • considering the appropriate size and composition of the Board; • developing criteria for Board membership selection, composition and assessing the skills required on the Board; • reviewing the skills represented on the Board and determining whether those skills meet the required skills identified; • recommending changes to the membership of the Board; • making recommendations to the Board on candidates it considers appropriate for appointment; • reviewing the retiring Non-Executive Director's performance and making recommendations to the Board as to whether the Board should support the nomination of a retiring Non-Executive Director; • policies for senior management and Directors' remuneration annually, including the link between Company and individual performance; • recruitment, retention and termination policies and procedures for senior management; • different methods for remunerating senior management and Directors; • retirement and termination benefits and payments; and • professional indemnity and liability insurance policies. <p>A copy of the Remuneration and Nomination Committee Charter is available on the Company's website at www.hexima.com.au.</p>
Audit and Risk Management Committee Charter	<p>The Audit and Risk Management Committee Charter sets out, among other things, the purpose, structure and how the Audit and Risk Management Committee will meet its responsibilities.</p> <p>Currently, Professor Jonathan West, Scott Robertson and Justin Yap are members of the committee. Professor Jonathan West is Chairman of this committee.</p> <p>Some of the specific responsibilities allocated to the Audit and Risk Management Committee include:</p> <ul style="list-style-type: none"> • reviewing with senior management and external auditors, the financial statements released to investors; • ensuring that the financial statements comply with accounting standards and otherwise provide a true and fair view of the financial position and performance of the Company and are not misleading; • recommending to the Board the appointment and remuneration (and, where appropriate, replacement) of the external auditor and the terms of their engagement; • periodically assessing the independence of the external auditor; • reviewing the Company's assessment of material risks and form an opinion on the adequacy and effectiveness of the risk assessment; • considering the effectiveness of the Company's internal controls, and relevant reports from the internal auditor; • reviewing, recommending to the Board and overseeing the operation of risk management policies and procedures; and • evaluating the structure and adequacy of the Company's insurances having regard to the Company's business and the insurable risks associated with the business. <p>A copy of the Audit and Risk Management Committee Charter is available on the Company's website at www.hexima.com.au.</p>

Policy	Comments
Security Trading Policy	<p data-bbox="478 271 1481 405">The Company has adopted the Security Trading Policy to ensure all persons having authority and responsibility for planning, directing and controlling the activities of the Company, whether directly or indirectly, including any Director (“Key Management Personnel”), are aware of the legal restrictions that exist on dealing in the Company’s securities while such a person is in possession of price sensitive information concerning the Company.</p> <p data-bbox="478 416 1461 495">This policy is intended to ensure compliance with the ASX Listing Rules and the Corporations Act 2001 (Cth), in particular those provisions relating to ‘insider trading’ or trading in the Company’s securities while a person is aware of price sensitive information.</p> <p data-bbox="478 506 1437 562">The policy specifically prohibits Key Management Personnel from dealing in the Company’s securities during the following key periods:</p> <ul data-bbox="478 573 1481 819" style="list-style-type: none"> • the period commencing 6 weeks prior to the release of the Company’s half year results to the ASX and ending at the beginning of the next trading day after such release; • the period commencing 6 weeks prior to the release of the Company’s year end results to the ASX and ending at the beginning of the next trading day after such release; • the period commencing 2 weeks prior to the Company’s annual general meeting and ending at the beginning of the next trading day after the annual general meeting; and • any other time imposed by the Board when it is considering matters which are subject to the exceptions to the continuous disclosure requirements set out in ASX Listing Rule 3.1A. <p data-bbox="478 831 1449 931">Outside of these prohibited periods, Key Management Personnel may deal in the Company’s securities at any time provided they do not possess any price sensitive information which is not generally available. A copy of this policy will be available on the Company’s website at www.hexima.com.au.</p>
Continuous Disclosure Policy	<p data-bbox="478 954 1477 1088">Once listed on the ASX, the Company will be required to comply with the continuous disclosure obligations of the ASX Listing Rules and the Corporations Act. Subject to the exceptions contained in the ASX Listing Rules, the Company must disclose any information concerning the Company which a reasonable person would expect to have a material effect on the price or value of the Company’s Shares.</p> <p data-bbox="478 1099 1477 1200">The Company takes its continuous disclosure obligations very seriously and has introduced the Continuous Disclosure Policy so that the Directors and senior management are aware of the procedures to follow when determining whether information must be disclosed and how any price sensitive information will be released.</p> <p data-bbox="478 1211 1477 1379">The Board is responsible for monitoring the Company’s compliance with its continuous disclosure obligations. The Company has nominated the Chief Executive Officer as the primary disclosure officer. If the Chief Executive Officer, upon reviewing the information, is unsure whether the information requires disclosure, the Chief Executive Officer may refer this matter to the chairperson of the Board. It is the responsibility of the Chief Executive Officer to review this policy and answer any relevant queries.</p> <p data-bbox="478 1391 1398 1469">In addition to being provided to the ASX, continuous disclosure announcements will be available on the Company’s website at www.hexima.com.au. A copy of the Continuous Disclosure Policy will also be made available on the Company’s website.</p>
Code of Conduct	<p data-bbox="478 1491 1477 1626">The Company is committed to making positive economic, social and environmental contributions, while complying with all applicable laws and regulations and acting in a manner that is consistent with the principles of honesty, integrity, fairness and respect. The Board has adopted a Code of Conduct to provide a set of guiding principles which are to be observed by all employees of the Company.</p> <p data-bbox="478 1637 983 1659">The key aspects of this Code of Conduct are to:</p> <ul data-bbox="478 1671 1477 1984" style="list-style-type: none"> • pursue research at the highest standard and present all results honestly and accurately; • provide a fulfilling and safe work environment for employees, rewarding good performance and providing opportunities for advancement within the Company; • respond to the reasonable and legitimate expectations of stakeholders and of the communities in which the Company operates; • be responsible for delivering targets to key stakeholders, including Shareholders, by ensuring compliance with the Company’s disclosure, financial reporting and other obligations required under the ASX Listing Rules and Corporations Act; • continuing to improve the quality and cost effectiveness of the Company’s HXP124 product through internal and external research and development. <p data-bbox="478 1995 1469 2018">A copy of the Code of Conduct is available on the Company’s website at www.hexima.com.au.</p>

Policy	Comments
Risk Management Policy	<p>The Company considers risk management to be fundamental to maintaining efficient and effective operations and generating and protecting Shareholder value. For the Company, the management and oversight of risk is an ongoing process integral to the management and corporate governance of the Company.</p> <p>Under this policy, the Board is primarily responsible for determining the Company's tolerance for risk. The Company's risk management function is supported by the Audit and Risk Management Committee. It is the responsibility of senior management to report new risks or changes to existing risks which will be addressed by the Board and the Audit and Risk Management Committee as soon as practicable after becoming aware of the risk. This policy will be regularly reviewed by the Audit and Risk Management Committee, who will recommend any changes as are necessary to mitigate or reduce the Company's risk exposure. A copy of the Risk Management Policy is available on the Company's website at www.hexima.com.au.</p>
Shareholder Communication Policy	<p>The Company is committed to ensuring that Shareholders, regulators and the wider investment community are informed of all major developments affecting the Company in a timely and effective manner.</p> <p>Information will be communicated to Shareholders through the lodgement of all relevant financial and other information with ASX and publishing information on the "Corporate Governance" section of the Company's website. In particular, Shareholders and other stakeholders may register with the Company to receive email notifications of when an announcement is made by the Company to ASX, including the release of the annual report, half yearly reports and quarterly reports.</p> <p>A copy of the Shareholder Communication Policy is available on the Company's website at www.hexima.com.au.</p>
Process for Evaluation of Performance	<p>The Company regularly monitors and evaluates the performance of its Board, Board committees, Directors and senior management in order to ensure each is acting as effectively as possible.</p> <p>The process of evaluating the performance of the Board is the responsibility of the Board under the direction of the Chairman.</p> <p>Each Board committee will review its own performance and report on the results of the review to the Board.</p> <p>Individual Directors are reviewed under the supervision of the Chairman, whereas senior management are evaluated by the Chief Executive Officer with ultimate oversight by the Board.</p> <p>A copy of the Process for Evaluation of Performance is available on the Company's website at www.hexima.com.au.</p>
Diversity Policy	<p>The Company is committed to diversity and seeks to promote an inclusive culture where people are encouraged to succeed to the best of their ability. In its efforts to support diversity, the Company has programs, practices and policies covering recruitment, selection, promotion and flexible work practices including parental leave.</p> <p>In its annual report, the Company will disclose its measurable objectives for achieving diversity in the workplace, the progress from time to time towards achieving those objectives and the respective proportions of men and women on the Board, in senior management positions and across the Company.</p> <p>A copy of the Diversity Policy is available on the Company's website at www.hexima.com.au.</p>
Whistleblower Policy	<p>The Company recognises the importance of transparency and accountability in its operations to promote best practice in corporate governance. The purpose of the Whistleblower Policy is to encourage more disclosures of wrongdoing and ensure individuals who disclose wrongdoing can do so safely, securely and with confidence that they will be protected and supported.</p> <p>The Company's Whistleblower Policy includes information about:</p> <ul style="list-style-type: none"> • the protections available to whistleblowers; • to whom disclosures can be made, and how; • how the Company will support whistleblowers and protect them from detriment; • how the Company will investigate disclosures that qualify for protection; • how the Company will ensure fair treatment of employees who are mentioned in the disclosures that qualify for protection; and • how the policy is to be made available to all Directors, officers and employees of the Company. <p>A copy of the Whistleblower Policy is available on the Company's website at www.hexima.com.au.</p>

Policy	Comments
Privacy Policy	<p>The Privacy Policy explains how the Company collects, stores, uses, discloses, protects and otherwise handles the personal information of others. The Company collects personal information for the primary purpose of providing investor notices to subscribers.</p> <p>A copy of the Privacy Policy is available on the Company's website at www.hexima.com.au.</p>
Anti-Bribery Policy	<p>The Company is committed to complying with the laws and regulations that apply to it, including those relating to bribery and corruption. All Directors, senior management and employees of the Company are provided with mandatory training so that they can recognise bribery and corruption and know how to report it. Among other things, the policy prohibits:</p> <ul style="list-style-type: none"> • the exchange or acceptance of gifts or hospitality that could be considered to give rise to undue influence; • the giving of bribes to public officials; and • the payment of secret commissions where the payment is made to induce or influence the recipient's conduct or business. <p>Under the policy, any suspicions of bribery or corruption may be reported directly to the Board or to the appropriate disclosure officer in accordance with the Company's Whistleblower Policy.</p> <p>A copy of the Anti-Bribery Policy is available on the Company's website at www.hexima.com.au.</p>

Financial Information



5.1

5.1 Introduction

The financial information of Hexima contained in Section 5 includes Historical Financial Information for the financial years ended 30 June 2018 (**FY18**), 30 June 2019 (**FY19**) and 30 June 2020 (**FY20**) (collectively the **Financial Information**) as set out below:

Historical Financial Information

- The Statutory Historical Financial Information comprising:
 - Statutory Historical Income Statement for FY18, FY19 and FY20 (**Statutory Historical Income Statements**);
 - Statutory Historical Statement of Cash Flows for FY18, FY19 and FY20 (**Statutory Historical Statements of Cash Flows**);
 - Statutory Historical Statement of Financial Position as at 30 June 2020 (**Statutory Historical Statement of Financial Position**),

(the **Statutory Historical Financial Information**)

- The Pro Forma Historical Financial Information comprising:
 - Pro Forma Historical Income Statement for FY18, FY19 and FY20 (**Pro Forma Historical Income Statements**);
 - Pro Forma Historical Statement of Cash Flows for FY18, FY19 and FY20 (**Pro Forma Historical Statements of Cash Flows**);
 - Pro Forma Historical Statement of Financial Position as at 30 June 2020 (**Pro Forma Historical Statement of Financial Position**),

(the **Pro Forma Historical Financial Information**).

Also summarised in Section 5 are:

- the basis of preparation of the Financial Information, including the application of new accounting standards to the Financial Information and areas of critical accounting judgements and estimates (refer to Section 5.2);
- information regarding certain non-IFRS financial measures (refer to Section 5.2.3.2);
- the pro forma adjustments to the Statutory Historical Financial Information, and reconciliations between Statutory Financial Information and the Pro Forma Financial Information respectively (refer to Sections 5.3 to 5.5);
- information regarding liquidity, capital resources and indebtedness (refer to Section 5.5.2 and 5.5.3);
- information regarding Hexima's contractual obligations and commitments (refer to Section 5.5.4);
- management discussion and analysis of the Pro Forma Historical Financial Information (refer to Section 5.6)
- a summary of Hexima's proposed dividend policy (refer to Section 5.7).

The information in Section 5 should also be read in conjunction with the Company Overview set out in Section 3, the Risk factors set out in Section 6, Hexima's significant accounting policies as set out in Appendix B, and the other information contained in this Prospectus.

All amounts disclosed in Section 5 and Appendix B are presented in Australian dollars, which is Hexima's functional and presentation currency for statutory financial reporting purposes. All amounts disclosed in the tables in Section 5 are presented in thousands, and, unless otherwise noted, are rounded to the nearest thousand.

Any discrepancies between totals and the sum of the components in tables, figures and diagrams contained in this Section 5 are due to rounding.

5.2

Basis of preparation of the Historical Financial Information

5.2.1

Overview and presentation of the Financial Information

The Financial Information included in the Prospectus is intended to present potential investors with information to assist them in understanding the historical financial performance, cash flows and financial position of Hexima.

The Statutory Financial Information has been prepared in accordance with the recognition and measurement principles of the Australian Accounting Standards (AAS), which are consistent with the International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board.

The Pro Forma Financial Information has been prepared in accordance with the recognition and measurement principles of AAS other than it includes certain adjustments which have been prepared in a manner consistent with the AAS in order to illustrate their effect if the adjustments had occurred in each period commencing on 1 July 2017.

The Pro Forma Financial Information has been prepared solely for inclusion in this Prospectus and does not reflect the actual financial results of Hexima for the periods indicated. Hexima believes that it provides useful information as it permits investors to examine what it considers to be the underlying financial performance of the business presented on a consistent basis.

The significant accounting policies and critical areas of accounting judgements and estimates adopted in the preparation of the Financial Information are set out in Appendix B (see Section 5.2.3.1). The Financial Information is presented in an abbreviated form, insofar as it does not include all the disclosures, statements or comparative information as required by the AAS applicable to annual financial reports prepared in accordance with the Corporations Act.

In addition to the Financial Information, Section 5 describes certain non-IFRS financial measures that are used to manage and report on Hexima's business that are not defined under or recognised by AAS or IFRS.

The Directors are responsible for the preparation and presentation of the Financial Information.

The Pro Forma Historical Financial Information (as defined in Section 5.1) has been reviewed by KPMG Financial Advisory Services (Australia) Pty Limited, in accordance with the Australian Standard on Assurance Engagements ASAE3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information, as stated in its Limited Assurance Investigating Accountant's Report. Investors should note the scope and limitations of the Limited Assurance Investigating Accountant's Report (contained in Section 9).

5.2.2

Preparation of the Historical Financial Information

The Statutory Historical Financial Information used in the preparation of the Pro Forma Historical Financial Information has been derived from Hexima's consolidated audited general purpose financial statements for FY18, FY19 and FY20.

The FY18, FY19 and FY20 financial statements were audited by KPMG which issued an unmodified audit opinion.

In the FY19 and FY20 financial statements, without qualifying their opinion, KPMG included in their auditor's report an Emphasis of Matter in relation to uncertainty regarding the Company's ability to operate as a going concern. The Directors are confident that on Completion, the Company will have sufficient Working Capital to meet its debts as they arise and to continue to trade as a going concern.

The audits of the FY18, FY19 and FY20 financial statements were performed in accordance with Australian Auditing Standards.

The Pro Forma Historical Financial Information has been prepared solely for inclusion in this Prospectus and has been derived from the Statutory Historical Financial Information and adjusted for the effects of the items:

- the impact of the Placement;
- removal of costs (including interest expense and fair value adjustments) relating to the Convertible Notes and associated derivative that converted to ordinary shares on completion of the Placement;
- the impact of the Offer, including Offer costs; and
- inclusion of incremental costs associated with operating as a listed public company, as though they had been incurred from 1 July 2017.

Section 5.3.1, Tables 5.1 to 5.3 sets out the pro forma adjustments made to the Statutory Historical Income Statement and a reconciliation of the Pro Forma Historical Income Statement to the Statutory Historical Income Statement, including explanations of these adjustments.

Section 5.4.1, Tables 5.4 to 5.6 sets out the pro forma adjustments to the Statutory Historical Statement of Cash Flows and a reconciliation of the Pro Forma Historical Statement of Cash Flows to the Statutory Statement of Historical Cash Flows.

Section 5.5.1, Table 5.7 sets out the pro forma adjustments to the Statutory Historical Statement of Financial Position, and a reconciliation of the Pro Forma Historical Statement of Financial Position to the Statutory Historical Statement of Financial Position. Pro forma adjustments were made to the Statutory Historical Statement of Financial Position to reflect the impact of the Offer as if it had occurred as at 30 June 2020.

Investors should note that past results are not a guarantee of future performance.

5.2.3

Significant accounting policies and application of new accounting standards to the Financial Information

The significant accounting policies applied consistently in the preparation of the Financial Information are set out in Appendix B. Hexima adopted AASB9, Financial Instruments and AASB15, Revenue from Contracts with Customers from 1 July 2018, and AASB16, Leases from 1 July 2019.

The adoption of AASB9, AASB15 and AASB16 did not materially impact Hexima's financial performance or cash flows, and accordingly no pro forma adjustments have been retrospectively applied to reflect these standards.

5.2.3.1

Critical accounting policies

Preparing financial statements in accordance with AAS requires the use of critical accounting estimates. It also requires management to make judgements, estimates and assumptions in the application of accounting policies that affect the reported amounts in the consolidated financial statements. Management continually evaluates its judgements and estimates in relation to assets and liabilities, contingent liabilities, revenues and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of, assets and liabilities within the next financial year include valuation of share options, and valuation of leasehold improvements, as described in the significant accounting policies adopted in Appendix B.

5.2.3.2

Explanation of certain non-IFRS financial measures

Hexima uses certain measures to manage and report on its business that are not recognised under IFRS (nor AAS). These measures are collectively referred to in this Section 5 and under ASIC Regulatory Guide 230 Disclosing Non-IFRS Financial Information published by ASIC as "non-IFRS financial measures". The principal non-IFRS financial measures that are referred to in this Prospectus are as follows:

- EBITDA is earnings or losses before interest, taxation, depreciation and amortisation;
- EBIT is earnings or losses before interest and taxation;
- Operating cash flow is calculated as EBITDA, less non-cash items in EBITDA (e.g. share based payment expenses), plus or minus changes in Working Capital.
- Operating cash flow after capital expenditure is operating cash flow less Capital Expenditure.
- Working Capital is the aggregate of receivables less trade and other payables, and employee benefits;
- Capital Expenditure is expenditure related to property, plant and equipment.

Although Hexima believes that these measures provide useful information about the financial performance of the business, they should be considered as supplements to the income statement measures that have been presented in accordance with IFRS and not as a replacement for them. As these non-IFRS financial measures are not based on IFRS (or AAS), they do not have standard definitions, and the way Hexima calculates these measures may differ from similarly titled measures used by other companies. Investors and readers of this Prospectus should therefore not place undue reliance on these non-IFRS financial measures.

5.2.4

Forecast financial information

The Directors have considered the requirements of ASIC Regulatory Guide 170 Prospective financial information (RG170) to determine if prospective financial information should be included in this Prospectus. The Directors have determined that, as at the date of this Prospectus, Hexima does not have reasonable basis to reliably forecast future earnings and accordingly forecast financial information is not included in this Prospectus. There is uncertainty in relation to the quantum and timing of Hexima's future revenue given the status of its research, resulting in a level of unpredictability in the timing, quantum and recognition of future results.

5.3

Historical statements of profit or loss

5.3.1

Pro Forma Historical Income Statement

Table 5.1 sets out the Pro Forma Historical Income Statement for FY18, FY19 and FY20. The Pro Forma Historical Income Statements are reconciled to the Statutory Historical Income Statements (which are set out in Section 5.3.3). Investors are referred to Section 5.6, which provides a description and management discussion and analysis of the income statement categories.

Table 5.1: Summary of Pro Forma Historical Income Statement

A\$000	Notes	FY18	FY19	FY20
Revenue	1	4,372	3,432	2,568
Contracted research expenditure	2	(2,709)	(2,719)	(2,181)
Other research & development expenditure	3	(1,966)	(1,791)	(1,839)
Patent and legal expenses		(517)	(259)	(265)
Marketing and business development		(43)	(392)	(127)
Employee benefits expenses	4	(560)	(760)	(1,103)
Other expenses		(414)	(425)	(598)
EBITDA		(1,837)	(2,915)	(3,545)
Depreciation expense		(183)	(172)	(162)
EBIT		(2,019)	(3,088)	(3,707)
Net financing expenses		(27)	6	44
Profit/(loss) before income tax expense		(2,046)	(3,082)	(3,664)
Income tax expense		(78)	(4)	-
Profit/(loss) after income tax expense		(2,124)	(3,086)	(3,664)

Notes:

1. Revenue is primarily comprised of R&D tax incentive revenue. In addition, Hexima earns rental income leasing the use of the glasshouse to a third party. The decrease in revenue from FY18 to FY20 is driven by a reduction in collaboration and service fees.
2. Contracted research expenditure is direct research and development expenditure, primarily comprised of HXP124 clinical development expenditure.
3. Other research and development expenditure is primarily comprised of clinical trial costs and management.
4. The increase in employee benefits expenses reflects the employment of a Chief Business Officer in the United States.

5.3.2

Pro forma adjustments to the Statutory Historical Income Statement

Table 5.2 sets out the pro forma adjustments that have been made to the profit/(loss) after tax in the Statutory Historical Income Statements

Table 5.2: Pro forma adjustments to the Statutory Historical Income Statement

A\$000	Notes	FY18	FY19	FY20
Statutory loss after income tax expense		(1,951)	(2,896)	(3,626)
Listed company costs	1	(173)	(173)	(173)
Convertible note interest and revaluation of financial instrument	2	-	(17)	135
Pro forma adjustments		(173)	(190)	(38)
Profit/(loss) after income tax expense		(2,124)	(3,086)	(3,664)

Notes:

1. Reflects Hexima's estimate of the incremental annual costs that Hexima will incur as a result of being a listed public company. These costs include listing fees, share registry costs, incremental audit and legal fees, additional insurance and other public company costs.
2. Adjustment to reflect the coupon interest of the Convertible Notes and derivative liabilities associated with the Convertible Notes upon Completion of the Placement in September 2020. At this date, the Convertible Notes issued in April, May and July 2019 and accrued coupon interest thereto converted to ordinary equity. This adjustment removes the coupon interest accrued as well as the non-cash impact of the fair value revaluation of the financial instruments associated with the Convertible Notes on the basis that this is not reflective of the capital structure of Hexima post-Offer.

5.3.3

Statutory Historical Income Statement

Table 5.3 sets out the Statutory Historical Income Statements.

Table 5.3: Statutory Historical Income Statements

A\$000	FY18	FY19	FY20
Revenue	4,372	3,432	2,568
Contracted research expenditure	(2,709)	(2,719)	(2,181)
Other research & development expenditure	(1,966)	(1,791)	(1,839)
Patent and legal expenses	(517)	(259)	(265)
Marketing and business development	(43)	(392)	(127)
Employee benefits expenses	(560)	(760)	(1,103)
Other expenses	(241)	(252)	(425)
EBITDA	(1,664)	(2,742)	(3,372)
Depreciation expense	(183)	(172)	(162)
EBIT	(1,846)	(2,915)	(3,534)
Net financing expenses	(27)	23	(91)
Profit/(loss) before income tax expense	(1,873)	(2,891)	(3,626)
Income tax expense	(78)	(4)	-
Profit/(loss) after income tax expense	(1,951)	(2,896)	(3,626)

5.4

Historical statement of cash flows

5.4.1

Pro Forma Historical Statement of Cash Flows

Table 5.4 sets out Hexima's Pro Forma Historical Statement of Cash Flows. The Statutory Historical Statement of Cash Flows are reconciled to the Pro Forma Historical Statement of Cash Flows. Investors are referred to Section 5.6, which provides a management discussion and analysis of the cash flow line items.

Table 5.4: Pro Forma Historical Statement of Cash Flow

A\$000	Notes	FY18	FY19	FY20
EBITDA		(1,837)	(2,915)	(3,545)
Non-cash items in EBITDA	1	81	115	187
Changes in Working Capital	2	(628)	988	1,086
Operating cash flow before capital expenditure		(2,384)	(1,812)	(2,272)
Capital Expenditure		(6)	(1)	(2)
Operating cash flow after capital expenditure		(2,390)	(1,813)	(2,274)
Financing and other cash flows				
Interest received		22	10	3
Cash from Convertible Note issue		-	-	-
Other financing cash flows		(1)	30	64
Pro forma net cash flow		(2,369)	(1,773)	(2,207)

Notes:

1. Non-cash items in EBITDA relate to share option expenses.
2. The key driver of changes in Working Capital is the timing of trade creditor payments and the R&D tax incentives receivable balance.

5.4.2

Pro forma adjustments to the Statutory Historical Statement of Cash Flows

Table 5.5 sets out the pro forma adjustments that have been made to the Statutory Historical Statement of Cash Flows. These adjustments are summarised and explained below.

Table 5.5: Pro forma adjustments to the Statutory Historical Statement of Cash Flows

A\$000	Notes	FY18	FY19	FY20
Statutory net cash flow before tax		(2,196)	4	(634)
Listed company costs	1	(173)	(173)	(173)
Issue of Convertible Note	2	-	(1,604)	(1,400)
Pro forma adjustments		(173)	(1,777)	(1,573)
Pro forma net cash flow		(2,369)	(1,773)	(2,207)

Notes:

1. For more details on the cash portion of incremental public company costs, please see Note 1 to Table 5.2 (Section 5.3.2).
2. Cash inflows arising from the issue of the Convertible Notes in April, May and July 2019.

Table 5.6 sets out Hexima's Statutory Historical Statement of Cash Flows.

Table 5.6: Statutory Historical Statement of Cash Flows

A\$000	FY18	FY19	FY20
EBITDA	(1,664)	(2,742)	(3,372)
Non-cash items in EBITDA	81	115	187
Changes in working capital	(628)	988	1,086
Operating cash flow before capital expenditure	(2,211)	(1,639)	(2,099)
Capital expenditure	(6)	(1)	(2)
Operating cash flow after capital expenditure	(2,217)	(1,640)	(2,101)
Financing and other cash flows			
Interest received	22	10	3
Cash from convertible note issue	-	1,604	1,400
Other financing cash flows	(1)	30	64
Net cash flow	(2,196)	4	(634)

5.5

Statement of financial position

5.5.1

Statutory and Pro Forma Historical Statement of Financial Position

Table 5.7 sets out the Statutory Historical Statement of Financial Position and the pro forma adjustments that have been made to prepare the Pro Forma Historical Statement of Financial Position of Hexima. These adjustments take into account the effect of the Placement proceeds, Offer proceeds, transaction costs and the conversion of the Convertible Notes into ordinary equity as if the Offer had occurred as at 30 June 2020. The Pro Forma Historical Statement of Financial Position is provided for illustrative purposes only and is not represented as being necessarily indicative of Hexima's view of its financial position upon Completion or at a future date.

Table 5.7: Statutory and Pro Forma Historical Statement of Financial Position

A\$000	Notes	Statutory	Total pro forma adjustments	Pro forma
Current assets				
Cash and cash equivalents	1,2	1,358	7,781	9,138
Receivables		2,292	-	2,292
Total current assets		3,650	7,781	11,430
Non-current assets				
Plant and equipment		1,276	-	1,276
Total non-current assets		1,276	-	1,276
Total assets		4,925	7,781	12,706
Current liabilities				
Trade and other payables	3	(3,353)	198	(3,155)
Loans and borrowings	3	(3,022)	2,958	(64)
Employee benefits		(170)	-	(170)
Total current liabilities		(6,546)	3,156	(3,389)
Total liabilities		(6,546)	3,156	(3,389)
Net assets		(1,620)	10,937	9,317
Equity				
Share capital	3,4	61,006	11,046	72,052
Reserves		1,641	-	1,641
Accumulated losses	3,4	(64,267)	(109)	(64,376)
Total equity		(1,620)	10,937	9,317

Notes:

1. The pro forma cash and cash equivalents adjustment relates to the impact of the Placement. This equates to cash proceeds of \$5.5 million.
2. The pro forma cash and cash equivalents adjustment also relates to the impact of the Offer, being cash proceeds net of the estimated transaction costs. Under the Subscription this equates to cash proceeds of \$2.3 million net of transaction costs.
3. Upon Completion of the Placement, the Convertible Notes were converted to \$3.2 million of ordinary equity. The borrowings of \$3.0 million associated with the Convertible Notes are discharged along with the related \$0.2 million accrued interest recognised in Trade and Other Payables. The interest accrued since 30 June 2020, and embedded derivative liability are adjusted through accumulated losses.
4. The net increase to equity of \$10.9 million includes \$5.5 million from the Placement, \$3.2 million on the conversion of the Convertible Notes and \$2.3 million from the Offer (net of transaction costs). The pro forma statement of financial position recognises costs associated with the Offer of \$19,000 within accumulated losses. The remainder of the transaction costs are offset against issued capital based on those Offer costs eligible to be capitalised.

5.5.2

Liquidity and capital resources

Following Completion, Hexima's principal sources of funds are expected to be cash on hand and operating cash flows. Net cash raised from the Offer will be used to fund Working Capital, complete stage IIb clinical trials, and continue its business development and licensing activities for HXP124. Following Completion, Hexima expects that it will have sufficient cash to meet its operational and Working Capital requirements and stated business objectives.

5.5.3

Indebtedness

Table 5.8 sets out the pro forma indebtedness of Hexima derived from the Statutory Historical Statement of Financial Position. The pro forma adjustments reflect the intended capital structure following Completion of the Offer as if it had occurred on 30 June 2020.

The pro forma indebtedness as at 30 June 2020 does not reflect the change in cash position between 30 June 2020 and Completion, which will occur as a result of ongoing R&D spend and other cash requirements of the business over this period.

Table 5.8: Pro forma indebtedness

A\$000	Notes	Statutory	Total pro forma adjustments	Pro forma
Cash and cash equivalents	1	1,358	7,781	9,138
Loans and borrowings				
Convertible Note	2	(2,958)	2,958	-
US Government Loan		(64)	-	(64)
Net cash/(debt)		(1,665)	10,739	9,074

Notes:

1. Cash and cash equivalent pro forma adjustments relate to \$5.5 million raised in the Placement and \$3.0 million raised in the public offering less transaction costs. Refer to the Pro Forma Historical Statement of Financial Position for further details (refer to Table 5.7).
2. The Convertible Note adjustment relates to the conversion to ordinary equity as part of the Placement. Refer to the Pro Forma Historical Statement of Financial Position for further details (refer to Table 5.7).

5.5.4

Commitments and contingencies as of 30 June 2020

Table 5.9 summarises Hexima's contractual obligations and commitments (following Completion of the Offer).

Table 5.9: Contractual obligations and commitments

A\$000	< 1 year	1 - 5 years	> 5 years
Total	299	-	-

Capital commitments relate to commercial contracts in the ordinary course of business which require the Company to make a number of minimum payments over the term of the contracts. A number of these payments are in part matched by the contract counterparties and/or are linked to certain research milestones.

Hexima has no material contingent liabilities or other off-balance sheet arrangements as at 30 June 2020 other than those described above.

5.6

Management discussion and analysis

Below is a discussion on the main factors that affected Hexima financial performance in FY18, FY19 and FY20.

The table below is a summarised representation of the Pro Forma Historical Income Statements and the Pro Forma Historical Cash Flow Statements for those periods.

Table 5.10: Management discussion and analysis

A\$000	FY18	FY19	FY20
Pro forma historical income statements			Text
Revenue	4,372	3,432	2,568
EBITDA	(1,837)	(2,915)	(3,545)
Profit/(loss) after income tax expense	(2,124)	(3,086)	(3,664)
Pro forma historical cash flow statements			
Operating cash flow before capital expenditure	(2,384)	(1,812)	(2,272)
Capital Expenditure	(6)	(1)	(2)
Financing and other cash flows	21	41	67
Pro forma net cash flow	(2,369)	(1,773)	(2,207)

FY18

Hexima's total revenue was \$4.37 million, comprised of \$2.14 million from R&D tax incentives, \$1.76 million of research grants and collaboration fees, \$0.40 million from the lease of the glasshouse and \$0.07 million of other service fees.

Contracted research expenditure represented \$2.71 million (43.6%) of the operating cost base, other research and development expenditure represented \$1.97 million (31.7%), whilst employee benefits expense was \$0.56 million (9.0%).

Depreciation totalled \$0.18 million and primarily related to the glasshouse. Net financing expenses totalled \$0.03 million.

Taxable net income of \$0.30 million resulted in a payment of tax. A tax payable position was the result of the majority of expenses being classified non-deductible due to its inclusion in the application for the large R&D tax incentive receipt.

Net loss after income tax expense totalled \$2.12 million.

The net decrease in cash and cash equivalents of \$2.37 million is a combination of operating losses for the year, and two large debtor receipts in July 2018 (in FY19).

FY19

Hexima's total revenue was \$3.43 million, comprised of \$2.14 million from R&D tax incentives, \$0.86 million of research grants and collaboration fees, \$0.41 million from the lease of the glasshouse and \$0.03 million of other service fees. Total revenue was down from FY18 as the Pioneer 5 year, \$5 million collaboration ended in December 2018 with a new, lower valued 1 year collaboration installed in January 2019.

Contracted research expenditure represented \$2.72 million (42.8%) of the operating cost base, other research and development expenditure represented \$1.79 million (28.2%), whilst employee benefits expense was \$0.76 million (12.0%).

Depreciation totalled \$0.17 million and primarily related to the glasshouse. Net financing income totalled \$0.01 million.

There was no tax payable on income for the year, however there was a \$0.02 million "clawback" tax on a government grant received. Net loss after income tax expense totalled \$3.09 million.

The net decrease in cash and cash equivalents of \$1.78 million is a combination of operating losses for the year, partially offset by two large debtor receipts from FY18 in July 2018 (FY19).

FY20

Hexima's total revenue was \$2.57 million, comprised of \$1.91 million from R&D tax incentives, \$0.18 million of research grants and collaboration fees, \$0.41 million from the lease of the glasshouse and \$0.08 million of COVID-19 grant income. The reduction in revenue from research grants and collaboration fees is the result of the finalisation of the Pioneer collaboration in December 2019.

Contracted research expenditure represented \$2.18 million (35.7%) of the operating cost base, other research and development expenditure represented \$1.84 million (30.1%), whilst employee benefits expense was \$1.10 million (18.0%).

The higher employee expense reflects the employment of a Chief Business Officer in the United States. Contracted research expenditure has reduced as a percentage of the cost base over the three years. This is a result of a larger share of the costs going to outside clinical service providers and manufacturers.

Depreciation totalled \$0.16 million and primarily related to the glasshouse. Net finance income totalled \$0.04 million. There were no income tax expenses. Net loss after income tax expense totalled \$3.66 million.

The net decrease in cash and cash equivalents of \$2.21 million is the result of operating losses.

5.7

Dividend policy

Hexima is currently in the development phase of operations and therefore is not expected to be in a position to declare a dividend in the short to medium term. Accordingly, no dividends are expected to be paid in the near term following the Company's listing on the ASX.

The payment of dividends by the Company (if any) is at the discretion of the Directors and will be a function of a number of factors (many of which are outside the control of the Directors), including the general business environment, the financial results the business, cash flows and financial condition of the Company, future funding requirements, considerations, any contractual, legal or regulatory restrictions on the payment of dividends by the Company and other factors the Board deems relevant. The Directors do not provide any assurance of the future level of dividends paid by the Company.

Risks



6.1**Introduction**

This Section 6 describes the potential risks associated with the Company and also risks associated with an investment in Shares generally. It does not purport to list every risk that may be associated with an investment in the Offer Shares now or in the future, and the occurrence or consequences of some of the risks described in this Section are partially or completely outside the control of the Company and its Directors.

The selection of risks has been based on an assessment of a combination of the probability of the risk occurring, the ability to mitigate the risk and impact of the risk if it did occur. The assessment is based on the knowledge of the respective directors of the Company and SaleCo as at the Prospectus Date, but there is no guarantee or assurance that the importance of different risks will not change or that other risks will not emerge. Additional risks and uncertainties which the Company is unaware of, or it currently considers to be immaterial, may also become important factors that adversely affect the Company's operating and financial performance.

None of the Company, SaleCo nor any of their respective directors or any other party associated with the preparation of this Prospectus guarantees any specific objectives of the Company will be achieved or any particular performance of the Company or the Shares will be achieved.

There can be no guarantee that the Company will deliver on its business strategy, or that any forward-looking statement contained in this Prospectus will be achieved or realised. Investors should note that past performance is not a reliable indicator of future performance.

Before deciding whether to invest in the Company, you should read the entire Prospectus and satisfy yourself that you have a sufficient understanding of potential risks and should consider whether an investment in the Company is suitable for you having regard to your own investment objectives, financial circumstances, taxation position and particular needs (including financial and taxation issues). If you do not understand any part of the Prospectus or are in any doubt as to whether to invest in the Company, you should seek professional advice from your stockbroker, accountant, lawyer or other professional adviser.

6.2

Business risk factors

Business risk factors

Risks

Development and commercialisation of the Company's intellectual property or products

The Company is currently in the process of developing and commercialising its intellectual property and products. While the Company's program for its intellectual property and products are advanced to varying degrees, there are inherent uncertainties that exist in any development and commercialisation program for new biotechnologies and products, including:

- there is no assurance that the development and commercialisation of the Company's technology and products will be successful at all or within the term of the relevant patents;
- difficulties or delays in the development and commercialisation process, including that technology and products proposed or developed are found to be unsafe or ineffective or are difficult to develop at the necessary scale;
- whether necessary regulatory authorisations, registrations or approvals for the development, sale and distribution of the Company's technology and products will be obtained (and on terms acceptable to the Company);
- uncertainties relating to the Company's potential reliance on third parties such as suppliers and contractual counterparties; and
- general uncertainty and resistance relating to the development of new technologies and products and the level and speed of uptake of those technologies and of products utilising those technologies.

Market acceptance of the Company's technology and products is also uncertain. There is a risk that the Company's technology and products may not be commercially and strategically attractive or competitive compared to existing or new technology. These uncertainties and risk may be caused by:

- difficulties and delays in marketing the technology and products (or any new product developed by the Company);
- failing to achieve the support or acceptance of customers, physicians, patients, the scientific and medical communities or market participants;
- factors outside of the Company's control, including the finances and budgets of business partners or potential customers of the Company's technology and products; and
- the advancement of new competitive or superior technology or products.

Accordingly there can be no assurance in relation to the Company's development and commercialisation of its technology and products, including that:

- any required regulatory approvals will be obtained;
- its technology and products will be successful in the market place; or
- the sale of the Company's technology or products will be profitable or generate suitable revenues for the Company.

Technology and product performance

There is no assurance that the Company's technology will meet the regulatory and efficacy hurdles required for regulatory market approval and commercialisation.

HXP124 may not prove safe and/or effective in human trials. The level of efficacy that HXP124 demonstrated in the Phase I/IIa clinical trial may not be replicated in larger (Phase IIb/Phase III) clinical trials. HXP124 may not penetrate the nail effectively enough and may not accumulate in the nail bed at a high enough concentration to kill the fungi causing the infection. HXP124 may cause rare but serious adverse events in humans or induce an allergic response in some patients.

Uncertain demand for the Company's technology and products

As part of its business, the Company is utilising both new and existing technology in an innovative manner and is developing new products. Accordingly, the information currently available in relation to existing products (including similar existing products), technologies and markets may not be reliable, comparable or useful in determining whether the Company's technology or products will be successful and the extent to which the Company's technology or products may or may not be successful.

Accordingly, the Company's estimates, analysis and expectations of future demand for its technology and products may be incorrect and may not be able to be achieved. There is also no assurance that any factors or assumptions upon which the Company bases its various technical or commercial decisions, will ultimately prove to be valid or accurate.

Failure by the Company to appropriately anticipate market demand and achieve customer acceptance of its technology and products may adversely affect the Company.

Business risk factors	Risks
Delays in development and commercialisation	<p>The Company is at an early stage in development and commercialisation of its technology and products and any material delays in this process may substantially increase the cost of development. Material delays could also result in the Company failing to commercialise its products.</p> <p>Delays could occur during any stage of the development and commercialisation process including during toxicology studies, regulatory approval for late-stage clinical trials, manufacture of drug substance for late-stage clinical trials, enrolment of patients into clinical trials and/or scheduling delays by suppliers.</p> <p>Additional toxicology studies may be required which would delay entry into clinical trials. HXP124 may not be sufficiently stable in the formulation that has been developed which would require additional formulation work ahead of clinical trials.</p>
Increased cost of development program	<p>The development program which the Company proposes to undertake with the funds raised under the Offer relies on numerous work items. There is a risk that the work items in the proposed development program may cost more than that budgeted for and as a result the Company may need to obtain additional funds to complete the program. No assurance can be given that future funding will be available, or that it will be available on terms acceptable to the Company.</p>
The Company is reliant on its key existing and proposed customers, suppliers and business partners	<p>At this stage of its development, the Company is dependent on arrangements with third parties in relation to the research and development of its technologies and products.</p> <p>Hexima is reliant on a limited number of key existing and proposed suppliers and customers, the continued relationship with which may be material to the Company's business.</p> <p>There is an inherent risk of relying on contractual arrangements with third parties. These inherent risks include that the third parties do not adequately or fully comply with their contractual rights and obligations. Such failure can lead to termination and/or significant damage to the Company's research and development efforts.</p> <p>Further, there is no assurance that the key existing and future suppliers, and business partners will, or will continue (as applicable) to, conduct their business or exist in the future, as they are subject to their own business and market risks.</p> <p>To the extent that any key existing or future supplier, customer and business partner arrangements do not occur as expected, or lapse, terminate, are breached, or for whatever reason need to be replaced or altered, then the failure to negotiate suitable amendments or find suitable replacements in a timely manner may have adverse effects on the Company's business, operations and financial position.</p>
Ability to rely on and protect the Company's necessary intellectual property	<p>The Company relies on owned intellectual property and its ability to develop and commercialise intellectual property, as well as third party intellectual property which is licensed or otherwise granted to the Company relating to certain applications. There is a risk that the Company's intellectual property portfolio will not ensure a proprietary market position and therefore will not justify the long term investing in research and development required to generate the Company's existing and future technologies and products.</p> <p>It is possible that employees or third party partners may inappropriately disclose the Company's confidential information or leverage the Company's intellectual property for their own purposes, thereby eroding the Company's differentiation and competitive advantage in the market. While Hexima has taken extensive action to protect its intellectual property portfolio, no assurance can be given that the value of the Company's intellectual property rights will be completely protected or that the Company will be able to maintain its competitive position by the legal protection afforded by a combination of copyright, trade secrecy laws, patent laws, confidentiality and other intellectual property rights.</p> <p>A further risk exists that third parties may accuse the Company of infringing its intellectual property rights without consent or permission. If this occurs, the Company may incur significant costs in defending such action, whether or not it ultimately prevails. Costs that the Company incurs in defending third party infringement actions may also include diversion of senior management's and technical personnel's time. Similarly, if Hexima becomes aware that any of its own intellectual property is being infringed, the Company may be forced to devote considerable funds and resources to protect its intellectual property rights and prosecute such action.</p> <p>Some of the Company's intellectual property is also embodied in physical form such as cell lines and samples. While the Company takes reasonable precautions to maintain the security of this material both in the possession of the Company and third party contractors, there is a risk that theft of this material could occur. The use of stolen material by others would erode the Company's differentiation and competitive advantage in the market.</p>

Business risk factors	Risks
Research and development capacity	<p>The Company conducts the majority of its research under a contract with La Trobe University. Through this contract, scientists have access to specialist analytical equipment as well as general laboratory, tissue culture and glasshouse facilities.</p> <p>If there is a disruption at the Company's research and development facilities, the Company's production and earnings capacity may be adversely affected. There is an inherent risk that the facility may not be accessible due to government restrictions imposed due to COVID-19, a natural disaster, industrial action, contamination, an industrial accident, fire, a power failure or an explosion.</p> <p>If the Company is unable to keep up with its research commitments, including as a result of disruptions at its research and development facilities, and particularly at the early stages of a product's development or commercialisation, this may specifically and adversely affect the technology or product's market acceptance and adversely affect the Company generally.</p> <p>There is no assurance that there will not be difficulties or delays in the development of the Company's technology and products, that the technology and products will be produced to the appropriate standard and at the expected cost or that the testing process capacity can be scaled to the level necessary from time to time. Difficulties in the testing process and delays in the commercialisation process may have an adverse impact on the Company.</p>
Market acceptance of the HXP124 is uncertain	<p>Ultimately, the Company needs to find acceptance for HXP124 and any other products it may develop in a competitive marketplace. Market acceptance depends on many factors, including convincing potential consumers, physicians, insurers, and commercial partners of the attractiveness of HXP124. Failure of HXP124 to gain market acceptance may have an adverse impact on the Company and its ability to commercialise HXP124.</p>
Foreign exchange	<p>Revenue from, and expenditure in, overseas jurisdictions are subject to the risk of fluctuations in foreign exchange. The Company's payment obligations to its toxicology and manufacturing suppliers are expected to be in foreign currency. If there are adverse currency fluctuations against the Australian dollar, there is a risk that the work items in the proposed development program may cost more than budgeted or that forecast revenue is less than expected and as a result the Company may need to obtain additional funds to complete the program. No assurance can be given that future funding will be available, or that it will be available on terms acceptable to the Company. As a result, the Company's ability to complete its development programs may be delayed or halted until such funds are raised (if at all), preventing the Company from commercialising its intellectual property and generating revenues.</p>
Diminution in reputation or brand	<p>The Company's reputation and brand and its technology and products are important to the Company's standing in the biotechnology industry and also in attracting and retaining high calibre scientific and research personnel. The success of the Company may be impacted by damage to its reputation or the reputation and brand of its technology and products.</p> <p>Issues that may give rise to reputational risk and cause harm to the Company include whether the Company has appropriately dealt with legal and regulatory requirements, issues of ethics, dealing with anti-corruption and bribery legislation, trade sanctions legislation, environmental issues, privacy and information and technology security.</p> <p>Failure to address these issues appropriately could give rise to additional legal, financial and operational risks, subject the Company to regulatory actions, fines and penalties or harm the reputation of the Company (including its brand and its products), its customers and investors in the marketplace.</p>
Change of control	<p>Hexima is a party, or may become a party, to agreements which contain a change of control provision which applies to Hexima, including the DuPont Pioneer MGEV Licence Agreement and Research Collaboration Agreement, further details of which are set out in Section 11.7.</p> <p>In accordance with the terms of the relevant agreements, adverse consequences (such as losing exclusivity) may result if there is a change of control of Hexima.</p>

Business risk factors	Risks
Competition may increase	<p data-bbox="478 293 1442 344">The Company operates in a competitive environment. The Company's competitive position may decline if:</p> <ul data-bbox="478 358 1426 600" style="list-style-type: none"> • one or more competitive technologies or products, which are currently available, in development or may be developed or released in the future, prove more safe, advanced, efficacious, cost effective, or attractive to market participants than the Company's technology and products; • major customers or suppliers form partnerships or other relationships with competitors; • new competitors enter the market; or • the Company fails to successfully respond to industry changes, competitor initiatives or customer preferences. <p data-bbox="478 616 1273 636">Such competition and new technology and products can have the effect of:</p> <ul data-bbox="478 651 1238 752" style="list-style-type: none"> • rendering the Company's previous developments obsolete; • decreasing the financial value of products or intellectual property; and • reducing pricing and profit margins. <p data-bbox="478 768 1469 922">The Company's potential competitors include companies with greater financial, technical, human, research and development, and marketing resources than the Company. In a competitive environment, competitors may be constantly striving to develop, validate and commercialise new technologies and products and, as a result, may discover and develop technologies and products in advance of the Company and/or technologies and products that are more effective than those developed by the Company.</p>
Product liability	<p data-bbox="478 963 1461 1120">Unforeseen problems, human error, deficiencies in research, development or testing or poor production quality of one or more of the Company's products may lead to product liability risk. In addition, as with all new products, there can be no assurance that unforeseen adverse events or defects will not arise. Adverse events may expose the Company to product liability claims or litigation, result in the loss of regulatory approvals for the relevant products and/or monetary damages being awarded against the Company.</p> <p data-bbox="478 1135 1469 1182">While the Company intends to obtain insurance for some of these risks, the Company may not be fully insured to cover its loss.</p>
Sufficiency and allocation of funding/capital	<p data-bbox="478 1223 1461 1352">The Company's overall business strategy may depend in part on its ability to raise additional funds from time to time to finance and complete research, development, testing and commercialisation of its technologies and products and its other longer-term objectives. The Company's product development activities may never generate revenues and the Company may never achieve profitability.</p> <p data-bbox="478 1368 1461 1498">The Company's ability to raise additional funds will be subject to, among other things, factors beyond the control of the Company and its Directors, including the success of its current projects, the results of its research, development and trials and cyclical factors affecting the economy and financial markets generally. Debt financing, if available, may involve covenants restricting the Company's operations or its ability to incur additional debt.</p> <p data-bbox="478 1514 1469 1588">There is no assurance that future funds, whether debt or equity, can be raised by the Company on favourable terms, if at all, or that the Company will have the funding that it requires to fully complete its future development and commercialisation program.</p>

Business risk factors	Risks
The Company's strategy may not be effective	<p>There are a number of strategies which relate to the development and commercialisation of the Company's technology and products. To date, the Company has not commenced commercial scale production, distribution or sale of its technology and products, and accordingly, the Company's strategies in that respect are untested, and may, in time, prove to be misguided, or may be implemented ineffectively and result in an outcome that may adversely affect the performance of the Company. For example:</p> <ul style="list-style-type: none"> • the Company may not be successful in finding a development and/or marketing partner; • when scaling-up production, the Company may not be able to manufacture its products, including HXP124, at a price point that is profitable in the context of commercial sale; and • the Company may not be successful in attracting and retaining the best people to drive the execution of its strategies, and key personnel may be lost, including to competitors. This may result in disruption and decreased performance. <p>Ineffective implementation of these and other strategies adopted by the Company may adversely impact the market acceptance of its technology and products and the performance and growth of the Company.</p>
Reliance on key personnel	<p>Due to the specialised nature of the Company's technology and products, its future depends on attracting and retaining suitably qualified senior management, scientific and research personnel.</p> <p>The biotechnology industry has strong competition for highly skilled scientists and researchers due to the limited number of people with the appropriate skill set. The Company currently employs, or engages as consultants, a number of key senior management, scientific and research personnel. There is a risk that the Company will be unable to attract and retain the necessary staff to pursue its strategies.</p> <p>In particular, if Dr van der Weerden, Chief Operating Officer, or Mr Aldridge, Chief Executive Officer, were to leave the Company, it would lose significant technical and management expertise, and the Company may not immediately be able to find a suitable replacement. This would affect how efficiently the Company operates its business and its future financial performance could be impacted.</p> <p>The Company has incentive programs for its key personnel. Despite these measures, there is no guarantee that the Company will be able to attract and retain suitable qualified personnel, and a failure to do so could materially and adversely affect the business, operating results and financial prospects.</p>
Valuation, revenue and income risk	<p>Valuations of biotechnology and intellectual property before commercial use are inherently imprecise. No independent valuation has been completed of the Company's intellectual property portfolio or its products, as the Directors do not believe such a valuation would be meaningful given the likely qualification to, and limitations of, such a valuation and the difficulty in predicting the future commercial success of the Company.</p> <p>The Company is at an early stage in terms of commercialising its technology and products to an extent that they will generate revenue and lead to profitability. The Company's ability to generate revenue in the future will be subject to a number of factors, the outcome and timing of which are difficult to predict, including the risk that the Company will be unable to develop its capabilities and expertise to effectively commercialise its existing and future technologies and products.</p> <p>The Company's ability to generate revenue is also subject to the various risks and difficulties frequently encountered by companies early in their commercialisation in competitive markets. These risks include the Company's ability to:</p> <ul style="list-style-type: none"> • implement and execute its business strategy; • secure the necessary regulatory approvals; • manage expanding operations; • respond effectively to competitive pressures and developments; and • successfully implement changes to refine its technologies and products over time and obtain any updates to regulatory approvals related to the changes. <p>It is likely that the Company will continue to incur losses and is unlikely to pay a dividend for a number of years.</p>

Business risk factors	Risks
Prospective information	<p>There can be no guarantee that the factors and assumptions on which the Company has assessed the:</p> <ul style="list-style-type: none"> • feasibility of its technologies and products; • potential levels of market acceptance and sales of its technologies and products; • development and commercialisation strategies of its technologies and products; or • relevant potential costs and expenses, <p>and any other factors or assumptions upon which the Company bases its various technical or commercial decisions, will ultimately prove to be valid or accurate. The various factors and assumptions may be, or may depend on other factors which are, outside the control of the Company.</p>
Litigation	<p>The Company may be the subject of complaints or litigation by customers, suppliers, employees or officers, Shareholders, government agencies or other third parties. Such matters may have an adverse effect on Hexima's reputation, divert its financial and management resources from more beneficial uses, or have a material adverse effect on Hexima's future financial performance or position.</p> <p>These claims may include claims from third parties alleging that Hexima may have breached the intellectual property rights of that third party and claims from a customer of the Company's product (whether they are the ultimate customer or otherwise) in relation to loss or damage caused by the product.</p> <p>Hexima is exposed to litigation risk in the jurisdictions in which it operates, for instance under the applicable manufacturer's liability and health and safety regimes. While this is not currently a material issue, there is the potential for one or more claims that are material in cumulative quantum to occur, with the result that costs are increased or the brand is damaged.</p>
Changes in political and regulatory environments	<p>The Company is subject to various federal and state-based laws and regulations in Australia as well as other jurisdictions in which the Company operates. The Company may be subject to compliance with new or changed laws and regulations that could come into effect if a government or government policies change, or the Company takes steps to commercialise its technology and products in a new jurisdiction.</p> <p>The introduction of new laws and regulations (including in relation to the pharmaceutical or agriculture industries) may result in increased expenses for the Company, as it establishes new compliance procedures, retrains its employees and reviews or redevelops technologies and products. With new regulatory environments, there is a risk that the regulations have unintended consequences, or are open to interpretation that increases the risk of non-compliance. There is also a risk that regulatory interpretations may change over time, which could adversely affect the Company's operations and ability to develop, sell or distribute some products.</p> <p>Changes to rules around R&D tax incentives, including in relation to eligibility requirements or refund levels could adversely affect the Company's cash flow.</p>

Business risk factors**Risks****Failure to meet health and safety regulations**

The Company's technologies and products are or will be subject to laws and regulations in respect of health and safety in Australia and other jurisdictions where the Company intends to commercialise its products (including workplace health and safety, laboratory practice and pharmaceutical, environmental and product safety laws and regulations). Additional or amended laws and regulations may increase the cost of compliance, adversely impact the Company's ability to comply, or expose the Company to greater potential liabilities where, for example, changes to the regulatory framework result in higher or more complicated regulatory standards.

If the Company breaches these laws and regulations, including for example where the Company is held responsible for:

- failing to ensure the safety and wellbeing of all personnel, visitors and contractors at the Company's facilities; or
- an injury, illness or death relating to its products,

the Company and its Directors and officers may be subject to sanctions and penalties, and in addition:

- may lead to a drop in productivity, reputational damage, workers compensation premium increases and/or litigation; and
- may adversely affect the Company's safety record and reputation, which may make it difficult for the Company to hire and retain personnel and win new business.

This, in turn, may have an adverse impact on the financial and operational performance of the Company.

Some testing and trials necessary to conduct research and development and commercialise the Company's technology will require approval of regulatory authorities in relevant jurisdictions and there can be no guarantee that approval will be forthcoming at all or in a timely manner. Delays to obtaining any required approvals may affect the Company's ability to meet its milestones and give rise to additional costs.

Doing business internationally

There are certain risks inherent for any company seeking to do business on an international level, such as the potential need to obtain licences to operate and/or sell or distribute products. This may increase the regulatory compliance cost which is applicable to the Company and its business.

Unexpected changes in regulatory requirements (including taxation), tariffs, customs, duties and other trade barriers, longer payment cycles, problems in collecting accounts receivable, political instability, fluctuations in currency exchange rates, foreign exchange controls which restrict or prohibit repatriation of funds, technology export and import restrictions or prohibitions, seasonal reductions in business activity and potentially adverse tax consequences may all affect a company seeking to do business on an international level.

There is also a risk that the Company's technology and products may not be able to be used in some or all jurisdictions without reliance on technology owned by others.

Other

Other risk factors that apply generally in the conduct of a business, including litigation resulting from the breach of agreements or in relation to employees or contractors (through personal injuries, industrial matters or otherwise), loss of service of key management or operational personnel, non-insurable risks, delay in resumption of activities after reinstatement following the occurrence of an insurable risk and other matters that may all interfere with the Company's business and adversely affect its performance.

Coronavirus (COVID-19)

The outbreak of the coronavirus (COVID-19) is impacting global economic markets. The Company's Share price may be adversely affected in the short to medium term by the economic uncertainty caused by COVID-19. Further, any government or industry measures taken in response to COVID-19 may adversely impact the Company's operations and are beyond the control of the Company. The Company has already been adversely impacted by the regulatory response to COVID-19 during 2020 and has only been able to access its laboratories in Victoria for essential clinical trial-related work. The nature and extent of the effect of the outbreak of COVID-19 on the performance of the Company remains uncertain and will depend on future developments, including the duration and future spread of the outbreak in Australia, the United States and other countries. If the COVID-19 pandemic spreads, if infection and mortality rates increase or lockdowns and restrictions are increased, the Company's business, operations and financial prospects may be materially and adversely affected. In particular, recruitment into Hexima's ongoing clinical trials may be adversely impacted if government restrictions and lockdowns are imposed which would delay the clinical trial.

Business risk factors	Risks
Insurance	The Company has in place insurance which it considers appropriate to its circumstances. However, not all material risks relevant or applicable to the Company and its business have been insured, as the relevant insurance may not be available or on terms which the Directors consider appropriate. In addition, no assurance can be given that the Company's insurance will be available in the future on reasonable terms or will provide adequate coverage against claims made. If the Company incurs uninsured losses or liabilities, this may have a material adverse impact on the operating and financial performance of the Company.

6.3

Investment risk factors

Investment risk factors	Risk
General economic and financial market conditions	General economic conditions (both domestically and internationally), including long-term inflation rates, exchange rate movements, interest rate movements and movements in domestic and international financial markets may adversely impact the Company's business and the price of Shares. A prolonged downturn in general economic conditions may impact the demand for the Company's technology and products or make it difficult to win or renew contracts. Economic conditions in Australia and international jurisdictions may also encourage increased competition. These factors may in turn have a material adverse effect on the financial and operational performance of the Company.
Investments in the Offer Shares are an investment in the Company	Investments in the Offer Shares are an investment in the Company and may be affected by the ongoing performance, financial position and solvency of the Company. The Offer Shares are not guaranteed by any government, government agency or compensation scheme in Australia or by any other person or any other jurisdiction.
Market price and liquidity of the Offer Shares	<p>The Offer Shares may trade at a market price below the Offer Price. The market price of the Offer Shares may fluctuate due to various factors, including the financial performance by the Company, investor perceptions, worldwide economic conditions, interest rates, movements in the market price of Shares, foreign exchange rates, debt market conditions, the availability of better rates of return on other securities or investments and other factors that may affect the Company's financial performance and position.</p> <p>Financial markets can be volatile, with the potential for significant fluctuations in the price of securities over a short period. This applies to the market price of the Offer Shares.</p> <p>Although the Offer Shares are to be quoted on ASX, there is no guarantee that a liquid market will develop for them. The market for the Offer Shares may be less liquid than the market for other comparable securities in other comparable companies. As a consequence, Shareholders who wish to sell their Shares may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for the Shares.</p> <p>In addition, there is no guarantee that the Shares will remain continuously quoted on ASX. Trading of ASX listed securities may be suspended in certain circumstances.</p>
Shareholder dilution	In the future, the Company may elect to issue Shares or engage in capital raisings to fund research and development or other activities, for working capital purposes or for other opportunities that the Company may decide to pursue. While the Company will be subject to the constraints of the Corporations Act, Shareholders at the time may be diluted as a result of such issues of Shares and capital raisings.
Force majeure events	Events may occur within or outside Australia that could impact upon the Australian economy, the operations of the Company and the value of the Shares. The events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease (including COVID-19) or other natural or man-made events or occurrences that can have an adverse effect on the demand for the Company's products and its ability to conduct business.

Investment risk factors	Risk
Change in the Australian tax system	<p>A general outline of the tax consequences of investing in the Offer Shares for certain potential investors who are Australian residents for tax purposes is set out in the taxation summary in Section 11.11.</p> <p>This summary is in general terms and is not intended to provide specific advice addressing the circumstances of any particular potential investor. Accordingly, potential investors should seek independent advice concerning their own individual tax position.</p> <p>You should be aware that any future changes in Australian tax law, including changes in interpretation or application of the law by the courts or taxation authorities in Australia, may affect the taxation treatment of the acquisition, holding and disposal of the Offer Shares and the market price of the Offer Shares.</p>
Australian Accounting Standards	<p>The AAS are set by the AASB and are outside the control of the Company and its Directors.</p> <p>Any changes to the accounting standards or to the interpretation of those standards may have an adverse impact on the reported financial performance and position of the Company.</p>
No guarantee in respect of investment	<p>The risk factors set out in this Section 6 and in the Prospectus generally should not be taken as an exhaustive list of the risks faced by the Company or by investors in the Company. The expressly specified factors, and others not specifically referred to above, may materially affect the financial performance of the Company and the value of the Shares. The Offer Shares carry no guarantee in respect of profitability, dividends or return of capital.</p> <p>None of the Company, SaleCo, their respective directors or any other person guarantees the performance of the Company or the payment of dividends.</p>

Interests and benefits



Interests and benefits

This Section 7 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- Lead Manager of the issue or sale of Shares or financial services licensee involved in the issue or sale of the Offer Shares under this Prospectus,

holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, Shares, Options or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.

7.1

Interests of advisers and others

The Company has engaged the following professional advisers:

Arnold Bloch Leibler has acted as the Australian legal adviser (other than in relation to intellectual property, financial and taxation matters) to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately \$131,000 (excluding disbursements and GST) for this service until the Prospectus Date. Further amounts may be paid to Arnold Bloch Leibler in accordance with its normal time-based charges.

KPMG Financial Advisory Services (Australia) Pty Ltd has acted as the Investigating Accountant and has prepared the Limited Assurance Investigating Accountant's Report in Section 9 of the Prospectus. The Company has paid, or agreed to pay, approximately \$80,000 (excluding disbursements and GST) to the Investigating Accountant for these services to the Prospectus Date. Further amounts may be paid to the Investigating Accountant in accordance with its normal time-based charge-out rates.

Canaccord Genuity (Australia) Limited has acted as the Lead Manager. The Company has paid, or agreed to pay, fees as set out in Section 7.4.

Davies Collison Cave Pty Ltd has acted as the patent attorneys for the Company and has prepared the IP Report in Section 10. The Company has paid, or agreed to pay, approximately \$750 (excluding disbursements and GST) for this service until the Prospectus Date. Further amounts may be paid to Davies Collison Cave Pty Ltd in accordance with its normal time-based charges.

Other than as otherwise stated, these amounts, and other expenses of the Offer (including costs attributable to SaleCo), will be paid by the Company out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 8.4.

7.2

Interests and remuneration of Executive Directors and senior management

The following persons are the current key senior employees of Hexima. The key terms and conditions of their employment are as follows:

Name	Position	Contract commencement date	Key employment terms
Mr Michael Aldridge	Chief Executive Officer	Current contract commenced on 1 June 2019 and was amended on 12 October 2020	<p>Cash and non-cash benefits</p> <p>Mr Aldridge's salary is currently US\$450,000 per annum.</p> <p>Mr Aldridge is entitled to receive 2,750,000 Options vesting over four years and expiring after ten years. These Options were granted to Mr Aldridge on 14 October 2020.</p> <p>Notice period for termination</p> <p>Hexima or Mr Aldridge may terminate the employment contract at any time.</p> <p>Post-employment restraints</p> <p>Following termination, Mr Aldridge will be restrained from using any confidential information and all intellectual property rights created in connection with the Company's activities remain with the Company.</p>
Dr Nicole van der Weerden	Chief Operating Officer	Current contract dated 28 July 2016, and was amended on 12 October 2020	<p>Cash and non-cash benefits</p> <p>Dr van der Weerden's salary is currently \$350,000 per annum.</p> <p>On 14 October 2020, Dr van der Weerden received 1,150,000 Options vesting over four years and expiring after ten years.</p> <p>Notice period for termination</p> <p>Hexima or Dr van der Weerden may terminate the employment contract at any time provided that either party gives 3 months written notice, other than for summary dismissal.</p> <p>Post-employment restraints</p> <p>Following termination, Dr van der Weerden will be restrained from using any confidential information and all intellectual property rights created in connection with the Company's activities remain with the Company.</p>
Professor Marilyn Anderson AO	Executive Director, Chief Science Officer	Current contract commenced on 15 November 2016	<p>Cash and non-cash benefits</p> <p>Professor Anderson's salary is currently \$83,011 per annum. In accordance with the terms of her employment agreement, Professor Anderson's salary may increase to a maximum of \$415,058 per annum, subject to Hexima and Professor Anderson agreeing to an increase to her required hours of service.</p> <p>On 14 October 2020, Professor Anderson received 125,000 Options vesting over four years and expiring after ten years.</p> <p>Notice period for termination</p> <p>Hexima or Professor Anderson may terminate the employment contract at any time provided that either party gives 3 months written notice, other than for summary dismissal.</p> <p>Post-employment restraints</p> <p>Following termination, Professor Anderson will be restrained from using any confidential information and all intellectual property rights created in connection with the Company's activities remain with the Company.</p>

Name	Position	Contract commencement date	Key employment terms
Mr Peter Welburn	Chief Development Officer	Current contract commenced on 1 October 2020	<p>Cash and non-cash benefits</p> <p>Mr Welburn's salary is currently \$150,000 per annum. In accordance with the terms of his employment agreement, Mr Welburn's per annum salary may increase to a maximum of \$300,000, subject to Hexima and Mr Welburn agreeing to an increase to his required hours of service.</p> <p>On 14 October 2020, Mr Welburn received 650,000 Options vesting over four years and expiring after ten years.</p> <p>Notice period for termination</p> <p>Hexima or Mr Welburn may terminate the employment contract at any time provided that either party gives 3 months written notice, other than for summary dismissal.</p> <p>Post-employment restraints</p> <p>Following termination, Mr Welburn will be restrained from using any confidential information and all intellectual property rights created in connection with the Company's activities remain with the Company.</p>

7.3

Non-Executive Director remuneration

Under the Constitution, the Directors as a whole (other than the Executive Directors) may be paid or remunerated for their services a total amount or value not exceeding \$500,000 per annum or such other maximum amount fixed by the Company in a general meeting.

Since 1 January 2015, the Directors have received an annual issue of Options in lieu of cash remuneration for their services. In 2018, 500,000 Options (250,000 on a post-consolidation basis) were granted to the Non-Executive Chairman and 250,000 Options (125,000 on a post-consolidation basis) were granted to each Non-Executive Director per year, each with a \$0.20 exercise price (\$0.40 on a post-consolidation basis), five year expiry period and vesting conditions based on completion of the relevant period of service.

In 2019 and 2020, 500,000 Options (250,000 on a post-consolidation basis) were granted to the Non-Executive Chairman and 250,000 Options (125,000 on a post-consolidation basis) were granted to each Non-Executive Director, each with a \$0.50 exercise price (\$1.00 on a post-consolidation basis), five year expiry period and vesting conditions based on completion of the relevant period of service.

In October 2020, each of the Chairman and each current Non-Executive Director (including Mr Steven Skala AO as alternate Director) requested that the Company cancel the Options previously granted to them.

In October 2020, in lieu of cash remuneration for their service for 2020 and 2021, 1,000,000 Options were granted to the Chairman, 312,500 Options were granted to each Non-Executive Director and 125,000 Options were granted to Mr Skala as alternate Director, each with a \$0.20 exercise price, 10 year expiry period and vesting conditions based on completion of the relevant period of service.

The Company paid Professor West and Mr Skala the amount of \$100,000 each in consideration for extra services provided by them to the Company in connection with the Placement, being services which were in addition to the normal duties of non executive directors. Following completion of the Placement, entities associated with Professor West and Mr Skala respectively each subscribed for, and were issued, 1,000,000 Shares at the same issue price as the Placement, being a pre-consolidation issue price of \$0.10 per Share (\$0.20 on a post-consolidation basis).

The remuneration of Directors must not include a commission on, or a percentage of, profits or operating revenue. All Directors' fees are inclusive of statutory superannuation.

7.4

Lead Manager Mandate

The Company and the Lead Manager have entered into a mandate agreement pursuant to which the Company has appointed the Lead Manager to act as the exclusive manager of the Offer.

On settlement of the Offer, which is expected to occur on 19 November 2020 (Settlement Date), the Company must pay the Lead Manager (exclusive of GST):

- a capital raising fee of \$60,000 in relation to the Placement;
- a management fee of \$80,000 in relation to the Offer; and
- a capital raising fee of 6% of the gross amount raised from all sources under the Offer (including the Share Sale Facility).

The Company has also agreed to issue 3.0 million unquoted equity options, each exercisable into 1 Share ("Options"), to the Lead Manager on completion of the ASX Listing, consisting of:

- 1 million Options exercisable at a 50% premium to the Offer Price on or before a date three years from the date of issue;
- 1 million Options exercisable at a 100% premium to the Offer Price on or before a date three years from the date of issue; and
- 1 million Options exercisable at a 200% premium to the Offer Price on or before a date three years from the date of issue.

7.5

Deeds of access, insurance and indemnity for Directors

The Company has entered into deeds of access, insurance and indemnity with each Director, alternate Director and the Company Secretary of Hexima which contain rights of access to certain books and records of the Company for a period of seven years after the Director ceases to hold office. This seven year period may be extended where certain proceedings or investigations commence before the seven year period expires.

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.

7.6

Directors' Share and Option holdings

Directors are not required under the Constitution to hold any Shares. However, the shareholdings of all Directors on Completion of the Offer is expected to be as follows:

Directors	Number of Shares held directly or indirectly on Completion of the Offer	Number of Options held following Completion of the Offer
Professor Jonathan West	3,000,000	1,000,000
Mr Michael Aldridge		2,750,000
Dr Nicole van der Weerden	144,700	1,650,000
Professor Marilyn Anderson AO	2,280,548	250,000
Mr Justin Yap*		312,500
Mr Scott Robertson		312,500
Mr Steven Skala AO^	5,480,029	125,000
Total	10,905,277	6,400,000

*A related party of Justin Yap holds 14,715,790 Shares.

^alternate Director for Scott Robertson

In addition, persons who were Directors within the previous six months and their related parties hold 14,909,353 Shares and 2,125,000 options. The total number of Shares held by the Directors, persons who were Directors within the previous six months and their respective related parties represents 31.0% of the Shares on issue following Completion of the Offer.

7.7

Restricted securities

The following Shareholders have entered into ASX mandatory escrow agreements, or, if applicable, will be given restriction notices, in relation to a total of approximately 10,485,318 Shares in which they (or their associated entities) will hold a relevant interest on Completion of the Offer.

Class of Shareholder subject to escrow	Shares/Options held on Listing	Shares/Options subject to escrow on Listing	Percentage of shareholding or option holding subject to escrow on Listing	Escrow period
Non-Executive Directors and related parties*	41,980,172	6,762,424	16.1%	2 years from Listing
Executive Directors	7,075,248	313,456	4.4%	2 years from Listing
Holders of Convertible Notes (other than Directors)	24,788,673	3,559,437	14.4%	12 months from issue of Shares on conversion
Lead Manager	3,000,000 Options	3,000,000 Options	100%	2 years from Listing
Total		13,635,316		

*includes alternate Directors and persons who were Directors within the previous six months
The total number of Shares which are restricted securities represents 8.0% of the Shares on issue following Completion of the Offer.

7.8

Substantial holders

Shareholder	Shares	Relevant interest
Dato Lim Sen Yap ¹	14,715,790	11.2%
Woobinda Nominees Pty Ltd and its associates ²	14,659,353	11.2%
Gowing Bros Ltd ³	7,923,307	6.1%
Total	37,298,450	28.5%

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

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

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

The above assumes no additional participation by Shareholders in the Offer and does not take into account any increase in voting power that may arise if Options held by the Shareholders are exercised.

Final holdings of all substantial holders will be notified to the ASX on the Company's Listing.

7.9

Other interests

ABL Fiduciary Corporation Pty Ltd ACN 005 524 952 is the sole shareholder of SaleCo. SaleCo has only recently been incorporated to offer the Sale Shares under this Prospectus and has no other functions or business. SaleCo only has nominal assets and as a result has been given an indemnity by the Company as summarised in Section 11.7(p).

Details of the Offer



8

Details of the Offer

8.1

The Offer

This Prospectus relates to a public offering of Shares at a price of \$0.20 per Share (**Offer Price**). The Offer contained in this Prospectus is an invitation to apply for:

- (a) 15,000,000 new Shares offered by the Company to raise \$3,000,000 (**New Shares**); and
- (b) up to 22,500,000 existing Shares offered for sale by SaleCo through the Share Sale Facility (**Sale Shares**)

(collectively, the **Offer Shares**).

The Board intends to give priority to Applications from existing Shareholders to the extent reasonably possible having regard to the level of demand from existing Shareholders, the number of Shares available under the Share Sale Facility, the need to achieve the required shareholder spread to re-list on the ASX, the Company's desire to achieve a balance of institutional, sophisticated and retail shareholders following Completion of the Offer and any other factors the Company and Lead Manager consider appropriate. Applications received will be applied to the offer of New Shares first and, if the aggregate number of Shares applied for exceeds the number of New Shares, Applications will then be applied to the offer of the Sale Shares.

The total number of Shares on issue at Completion of the Offer is expected to be 130,857,724 and all Shares will rank equally with each other. The New Shares offered under this Prospectus will represent approximately 11.5% of the Shares on issue on Completion of the Offer. A summary of the rights attaching to the Shares (including the Offer Shares) is set out in Section 11.2.

The Offer is not underwritten.

8.2

Share Sale Facility Structure

At or around the Prospectus Date, existing Shareholders will be given the opportunity to participate in the Share Sale Facility. Shareholders will be sent information about the Share Sale Facility and how to participate.

SaleCo will acquire Shares from existing Shareholders who determine to sell Shares to SaleCo under agreements between those parties (**Sale Agreements**). The Sale Agreements, which are conditional on ASX granting approval to the admission of the Company to the official list of ASX, will provide that Shares will be sold by existing Shareholders to SaleCo on Completion free from encumbrances and third party rights.

Existing Shareholders must specify the number of Shares they wish to sell by 4 November 2020. Accordingly the number of Sale Shares available under the Share Sale Facility will not be known until after that date.

Existing Shareholders who do not wish to sell any Shares should take no action in respect of the Share Sale Facility.

The number of Sale Shares offered by SaleCo through the Share Sale Facility will be scaled back on a pro-rata basis if necessary to reflect the Applications received under the Offer and in any case will not exceed 22,500,000 Shares.

The Sale Shares will be transferred to successful Applicants under the Offer. The price payable by SaleCo for these Shares if sold under the Offer will be the Offer Price.

The costs of the Offer that are attributable to SaleCo will be borne by the Company.

Existing Shareholders should contact the Hexima Offer Information Line for further information.

8.3

Structure of the Offer

The Offer is open to Applicants resident in Australia, New Zealand or Hong Kong only. All Applicants under the Offer must have an eligible residential or, in the case of a corporate Applicant, registered office address in Australia, New Zealand or Hong Kong.

Closing Date for the Offer

Application Forms and payment of Application Monies must be received by the Share Registry before 5:00pm (Melbourne time) on the Closing Date.

All Application Monies will be held by the Company on trust in a separate account.

Closing Date for the Share Sale Facility

Existing Shareholders must specify the number of Shares they wish to sell under the Share Sale Facility by 4 November 2020.

8.4

Purpose of the Offer and use of proceeds

The Offer is being conducted to:

- fund the completion of a phase IIb clinical trial for HXP124 as a treatment for onychomycosis;
- fund the conduct of long-term toxicology studies for Hexima's lead onychomycosis candidate, HXP124, to prepare for late-phase clinical trials under a US Investigational New Drug application;
- fund continuing business development and marketing of the defensin technology platform; and
- provide general working capital and meet the costs of the Offer.

The purpose of the proposed Listing is to provide Hexima access to capital markets, which it expects will provide additional financial flexibility to pursue further growth opportunities, and to provide a liquid market for its Shares.

The proceeds of the Offer arising from the Share Sale Facility will be used to pay the Shareholders who are selling their Shares through SaleCo.

The proceeds of the Offer, together with current cash and R&D tax incentive refund will be applied to:

- a phase IIb clinical trial for HXP124;
- scale-up of HXP124 manufacture and production of HXP124 for toxicology studies;
- formulation, stability and chemistry, manufacture and control of HXP124;
- toxicology studies for HXP124;
- market research;
- payment of the costs associated with the Offer; and
- provision of working capital to the Company.

The use of proceeds table in the 'Use of proceeds and current cash' section of this Prospectus sets out additional information regarding the proposed use of funds (including but not limited to the proceeds of the Offer), including a breakdown of how funds will be applied. Importantly, the Company will bear the costs of the Offer. There will be no apportionment of the costs of the Offer with SaleCo or with Shareholders who elect to participate in the Share Sale Facility, including in relation to the sale of the Sale Shares via SaleCo. The Company expects to receive an R&D tax incentive receivable of \$1.9 million for FY20 by November 2020. The Company has a long record of receiving R&D tax incentive refunds. If the R&D tax incentive refund is not received in full or in part, the Company will review its use of funds and will reduce or delay some of the proposed expenditure on toxicology studies and manufacturing.

8.5

Pro forma consolidated historical statement of financial position

Hexima's pro forma consolidated historical statement of financial position following Completion of the Offer, including details of the pro forma adjustments, is set out in Section 5.

8.6

Capital structure

The details of the ownership of Shares and other securities, at the Prospectus Date and on Completion of the Offer, are set out below.

Shares issued as at the Prospectus Date	115,857,724
Number of Shares to be issued under the Offer	15,000,000
Total Shares	130,857,724
Options issued as at the Prospectus Date ¹	9,878,500
Options to be issued on Completion of the Offer ²	3,000,000
Total Options¹	12,878,500
Total securities (including Options)	143,736,224

Note 1: Refer to Section 11.8 for details of the Options currently on issue.

Note 2: Refer to Section 7.4 for detail of the Options to be issued on Completion of the Offer.

8.7

When to apply for the Offer Shares

The Offer opens at 9:00am (Melbourne time) on 22 October 2020.

The Offer closes at 5:00pm (Melbourne time) on 13 November 2020.

The key dates are set out in the 'Important dates' section of this Prospectus. This timetable is indicative only and may change. Unless otherwise indicated, all times are stated in Melbourne time.

The Company and SaleCo reserve the right to vary the above times and dates without notice (including, subject to the Corporations Act, to close the Offer early, to extend the Closing Date, or to accept late Applications, either generally or in particular cases, or to cancel or withdraw the Offer, in each case without notifying any recipient of this Prospectus or any Applicant). If the Offer is cancelled or withdrawn before the allocation of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act.

Applicants are encouraged to submit their Applications as soon as possible after the Offer opens.

8.8

How to apply for the Offer Shares

Applications should be made online via the Offer website <https://events.miraqle.com/hexima-public-offer>.

Applications Monies must be paid in accordance with any instructions set out on the Offer website and on the Application Form.

Applications must be submitted, and payment must be made, by 5:00pm (Melbourne time) on the Closing Date.

Payment

Payment should be made by Bpay®. Once an Application Form has been completed online via the Offer website (<https://events.miraqle.com/hexima-public-offer>), Applicants will receive a unique Customer Reference Number (CRN) which must be used in making the Bpay® payment.

Application Monies must be in Australian dollars. Applications for Shares must be accompanied by payment in full.

If you are making a payment from outside of Australia, please contact the Share Registry on 1800 500 710 (or +61 1800 500 710 from outside of Australia) to request the details to make your payment.

Payment by Bpay®

For payment by Bpay®, please follow the instructions on the online Application Form. You can only make payment via Bpay® if you are the holder of an account with an Australian financial institution that supports Bpay® transactions. If you are paying by Bpay®, please make sure you use the specific Biller Code and your unique CRN generated on completion of your Application Form. If you do not use the correct CRN, your Application will not be recognised as valid.

8.9

Issue of Offer Shares

Subject to all Application Monies being received, allotment of the New Shares and transfer of the Sale Shares offered by this Prospectus will take place as soon as practicable after the Closing Date.

The directors of Hexima and SaleCo, in consultation with the Lead Manager, reserve the right to allot the Offer Shares in full for any Application or to allot any lesser number or to decline any Application if they believe the Application does not comply with applicable laws or regulations.

If there are Applications for more than the number of Offer Shares, Applications will be scaled back. The Company, SaleCo and the Lead Manager have absolute discretion regarding the allocation of Offer Shares to Applicants and may reject any Application or allocate fewer Offer Shares than applied for.

If an Application Form is not completed correctly, or if the accompanying payment of the Application Monies is for the wrong amount, it may still be treated as a valid Application. The decision of the directors of Hexima and SaleCo respectively whether to treat the Application as valid and how to construe, amend or complete the Application Form is final. However, an Applicant will not be treated as having applied for more Offer Shares than is indicated by the amount of Application Monies paid by the Applicant.

If you are not issued all of the Offer Shares you apply for and deliver funds, you will receive a refund, as set out in Section 8.13.

On issue or transfer to Applicants (as applicable), the Offer Shares will rank equally with all existing Shares on issue.

8.10

ASX listing

The Company will apply to ASX for the Listing and for official quotation of the Shares as soon as practicable following the lodgement of this Prospectus, and in any event within seven days after the date of lodgement of this Prospectus. ASX has reserved the code HXL for the Company's Shares.

On Listing, quotation of the Shares will commence as soon as practicable following the issue of Clearing House Electronic Sub-register System (CHES) statements.

If ASX does not admit the Shares to quotation within three months of the Prospectus Date the Company will deal with Applications in accordance with the Corporations Act.

ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may quote the Shares should not be taken as an indication of the merits of the Company or the Shares offered for subscription.

From Listing, Hexima will be required to comply with the ASX Listing Rules, subject to any waivers obtained by Hexima from time to time. Hexima has applied to ASX for a waiver from ASX Listing Rule 1.1 condition 12 (which provides that the exercise price of options on issue must be at least 20 cents in cash) to allow Hexima to have options on issue with an exercise price that is less than 20 cents at the time its Shares are quoted on ASX.

8.11

ASX Clearing House Electronic Sub-register system

Hexima will apply to participate in the ASX's Clearing House Electronic Sub-register System (CHES), in accordance with the ASX Listing Rules and the ASX Settlement Rules. CHES is an automated transfer and settlement system for transactions in securities quoted on ASX under which transfers are affected in an electronic form.

When the Shares become CHES approved securities, holdings will be registered in one of two sub-registers, an electronic CHES sub-register or an issuer sponsored sub-register. A CHES participant, or a person sponsored by a CHES participant, will have their Shares registered on the CHES sub-register. All other Shares will be registered on the issuer sponsored sub-register.

Following allotment, successful Applicants will be sent a holding statement that sets out the number of Shares that have been issued or transferred to them under the Offer. This holding statement will also provide details of a Holder Identification Number (HIN) or, where applicable, the Securityholder Reference Number (SRN) of issuer sponsored holders. Certificates will not be issued.

It is expected that the initial holding statements will be dispatched by standard post on or about 24 November 2020.

8.12

Commencement of Trading

It is the responsibility of Applicants to determine their allocation prior to trading in Shares. Applicants trading in Shares prior to receiving a holding statement do so at their own risk.

Hexima, the Share Registry, and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their holding statement, whether on the basis of a confirmation of allocation provided by any of them, by a broker or otherwise.

The Shares are expected to commence trading on ASX on a normal settlement basis on or about 1 December 2020.

8.13

Refunds

Application Monies will be refunded (in full or in part, as applicable) in Australian dollars where an Application is rejected, an Application is subject to a scale-back or if the Offer is withdrawn or cancelled.

No interest will be paid on any refunded amounts. The Company, irrespective of whether the allotment of the Shares takes place, will retain any interest earned on the Application Monies.

Refund cheques will be sent as soon as practicable following the close or termination of the Offer.

8.14

Control implications of the Offer

The Directors do not expect any Shareholder to control (as defined in section 50AA of the Corporations Act) Hexima on Completion of the Offer.

8.15

Tax implications of the Offer

Summaries of certain Australian tax consequences of participating in the Offer and investing in the Offer Shares are set out in Section 11.11.

The tax consequences of any investment in the Offer Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.

8.16

Brokerage commissions or stamp duty considerations

No brokerage, commission or stamp duty is payable by Applicants on acquisition of the Offer Shares.

No brokerage, commission or stamp duty will be payable by existing Shareholders who participate in the Share Sale Facility.

8.17

Enquiries

All enquiries in relation to this Prospectus should be directed to the Hexima Offer Information Line on +61 1800 500 710 from 8:30am until 5:30pm (Melbourne time), Monday to Friday.

If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest.

8.18

Restrictions on distribution

No action has been taken to register or qualify this Prospectus, the Offer Shares or the Offer in any jurisdiction outside Australia. In particular, the Offer Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

This Prospectus does not constitute an offer or invitation to apply for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation under this Prospectus.

This Prospectus may not be released or distributed in the United States.

Each Applicant will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws;
- it is not in the United States;
- it has not and will not send the Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and in compliance with all applicable laws in the jurisdiction which Shares are offered and sold.

8.19

Discretion regarding the Offer

The Company and SaleCo may withdraw the Offer at any time before the issue or transfer of the Offer Shares to the Applicants. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

The Company and SaleCo also reserve the right to close the Share Sale Facility, the Offer or any part of it early, extend the Share Sale Facility or Offer or any part of it, accept late Applications either generally or in particular cases, reject any Application, or allocate to any Applicant fewer Offer Shares than applied for.

The number of Sale Shares offered by SaleCo through the Share Sale Facility will be scaled back if necessary to reflect the Applications received under the Offer and in any case will not exceed 22,500,000 Shares.

Limited Assurance Investigating Accountant's Report




KPMG Transaction Services

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The Directors
Hexima Limited
Hexima SaleCo Pty Ltd
Level 4, LIMS 2
LaTrobe University
Bundoora VIC 3083

15 October 2020

Dear Directors

Limited Assurance Investigating Accountant's Report and Financial Services Guide

Investigating Accountant's Report Introduction

KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Transaction Services is a division) ("KPMG Transaction Services") has been engaged by Hexima Limited ("the **Company**") and Hexima SaleCo Pty Ltd ("**SaleCo**") to prepare this report for inclusion in the proposed prospectus to be dated 15 October 2020 ("the **Prospectus**"), and to be issued by the Company and SaleCo, in respect of the proposed public offering of shares in the Company ("the **Offer**").

Expressions defined in the Prospectus have the same meaning in this report.

This Investigating Accountant's Report should be read in conjunction with the KPMG Transaction Services Financial Services Guide included in the Prospectus.

Scope

You have requested KPMG Transaction Services to perform a limited assurance engagement in relation to the historical pro forma historical financial information described below and disclosed in the Prospectus.

The historical pro forma historical financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory

KPMG Financial Advisory Services (Australia) Pty Ltd is an affiliate of KPMG. KPMG is an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Pro Forma Historical Financial Information

You have requested KPMG Transaction Services to perform limited assurance procedures in relation to the pro forma historical financial information of the Company (the responsible party) included in the the Prospectus.

The pro forma historical financial information has been derived from the historical financial information of the Company, after adjusting for the effects of pro forma adjustments described in section 5.2 of the Prospectus.

The pro forma financial information consists of the Company's:

- pro forma historical Statement of Financial Position as at 30 June 2020;
- pro forma historical Statements of Financial Performance for the years ended 30 June 2018, 30 June 2019 and 30 June 2020; and
- pro forma historical Statements of Cash Flows for the years ended 30 June 2018, 30 June 2019 and 30 June 2020

as set out in section 5 of the Prospectus issued by the Company (collectively the "Pro Forma Historical Financial Information").

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 5.2 of the Prospectus. Due to its nature, the Pro Forma Historical Financial Information does not represent the company's actual or prospective financial position, financial performance, and/or cash flows.

The Pro Forma Historical Financial Information has been compiled by the Company to illustrate the impact of the event(s) or transaction(s) on the Company's financial position as at 30 June 2020 and the Company's financial performance and cash flows for the period ended 30 June 2018, 30 June 2019 and 30 June 2020. As part of this process, information about the Company's financial position, financial performance and cash flows has been extracted by the Company from the Company's financial statements for the periods ended 30 June 2018, 30 June 2019 and 30 June 2020.

The financial statements of the Company for the years ended 30 June 2018, 30 June 2019 and 30 June 2020 were audited by KPMG in accordance with Australian Auditing Standards. The audit opinions issued to the members of the Company relating to those financial statements were unqualified.

In the FY19 and FY20 financial statements, without qualifying their opinion, KPMG included in their auditor's report an Emphasis of Matter in relation to uncertainty

regarding Hexima's ability to operate as a going concern. The Directors are confident that with the Completion of the Offer, the Company will have sufficient working capital to meet its debts as they arise and to continue trading as a going concern. For the purposes of preparing this report we have performed limited assurance procedures in relation to Pro Forma Historical Financial Information in order to state whether, on the basis of the procedures described, anything comes to our attention that would cause us to believe that the Pro Forma Historical Financial Information is not prepared or presented fairly, in all material respects, by the directors in accordance with the stated basis of preparation as set out in section 5 of the Prospectus.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion about whether the Pro Forma Historical Financial Information is prepared, in all material respects, by the directors in accordance with the stated basis of preparation.

Directors' responsibilities

The directors of the Company are responsible for the preparation of:

- the Pro Forma Historical Financial Information, including the selection and determination of the pro forma transactions and/or adjustments made to the historical financial information and included in the Pro Forma Historical Information.

The directors' responsibility includes establishing and maintaining such internal controls as the directors determine are necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Conclusions

Review statement on the Pro Forma Historical Financial Information

Based on our procedures, which are not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as set out in section 5 of the Prospectus, comprising:

- the pro forma historical income statements of the Company for the years ended 30 June 2018, 30 June 2019 and 30 June 2020;
- the pro forma historical statements of cash flows of the Company for the years ended 30 June 2018, 30 June 2019 and 30 June 2020; and



- the pro forma historical balance sheet of the Company as at 30 June 2020, is not prepared or presented fairly, in all material respects, on the basis of the pro forma transactions and/or adjustments described in section 5 of the Prospectus, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and the Company's accounting policies.

Independence

KPMG Transaction Services does not have any interest in the outcome of the proposed Offer, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received. KPMG is the auditor of the Company and from time to time, KPMG also provides the Company with certain other professional services for which normal professional fees are received.

General advice warning

This report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Restriction on use

Without modifying our conclusions, we draw attention to section 5.2.1 of the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this report, or on the financial information to which it relates, for any purpose other than that for which it was prepared.



Hexima Limited
*Limited Assurance Investigating Accountant's Report and
Financial Services Guide
15 October 2020*

KPMG Transaction Services has consented to the inclusion of this Investigating Accountant's Report in the Prospectus in the form and context in which it is so included, but has not authorised the issue of the Prospectus. Accordingly, KPMG Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Stewart May', written over a horizontal line.

Stewart May
Authorised Representative



KPMG Financial Advisory Services (Australia) Pty Ltd

ABN 43 007 363 215

Australian Financial Services Licence No. 246901

Financial Services Guide

Dated October 2019

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by **KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Transaction Services is a division) ('**KPMG Transaction Services**'), and Stewart May as an authorised representative of KPMG Transaction Services, authorised representative number 404262 (**Authorised Representative**).

This FSG includes information about:

- KPMG Transaction Services and its Authorised Representative and how they can be contacted;
- The services KPMG Transaction Services and its Authorised Representative are authorised to provide;
- How KPMG Transaction Services and its Authorised Representative are paid;
- Any relevant associations or relationships of KPMG Transaction Services and its Authorised Representative;
- How complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- The compensation arrangements that KPMG Transaction Services have in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Transaction Services.

This FSG forms part of an Investigating Accountant's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Transaction Services and the Authorised Representative are authorised to provide

KPMG Transaction Services holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- Deposit and non-cash payment products;
- Derivatives;
- Foreign exchange contracts;
- Government debentures, stocks or bonds;
- Interests in managed investments schemes including investor directed portfolio services;
- Securities;
- Superannuation;

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- Carbon units;
- Australian carbon credit units; and
- Eligible international emissions units, to retail and wholesale clients.

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG Transaction Services to provide financial product advice on KPMG Transaction Services' behalf.

KPMG Transaction Services and the Authorised Representative's responsibility to you

KPMG Transaction Services has been engaged by Hexima Limited (Client) to provide general financial product advice in the form of a Report to be included in the Prospectus (Document) prepared by Hexima Limited in relation to the proposed initial public offering of shares in the Company (the Transaction).

You have not engaged KPMG Transaction Services or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Transaction Services nor the Authorised Representative are acting for any person other than the Client.

KPMG Transaction Services and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General advice

As KPMG Transaction Services has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG Transaction Services may receive and remuneration or other benefits received by our representatives

KPMG Transaction Services charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Transaction Services \$80,000 for preparing the Report. KPMG Transaction Services and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG Transaction Services officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Transaction Services' representatives (including the Authorised Representative) are eligible for bonuses based on

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overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

Neither KPMG Transaction Services nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Transaction Services is controlled by and operates as part of the KPMG Partnership. KPMG Transaction Services' directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Transaction Services and the Authorised Representative and not by the KPMG Partnership.

From time to time KPMG Transaction Services, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

KPMG entities have provided and continue to provide a range of audit and advisory services to Client for which professional fees are received. Over the past year professional fees of approximately \$50,000 have been received from the Company. None of those services have related to the transaction or alternatives to the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Transaction Services or the Authorised Representative know. Formal complaints should be sent in writing to The AFSL Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than **45 days** after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Transaction Services or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Australian Financial Complaints Authority (AFCA). AFCA is an independent

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company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available at the AFCA website www.afca.org.au or by contacting them directly at:

Address: Australian Financial Complaints Authority Limited, GPO Box 3, Melbourne Victoria 3001

Telephone: 1300 56 55 62

Facsimile: (03) 9613 6399

Email: info@afca.org.au.

The Australian Securities and Investments Commission also has a freecall infoline on 1800 931 678 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Transaction Services has professional indemnity insurance cover in accordance with section 912B of the *Corporations Act 2001(Cth)*.

Contact details

You may contact KPMG Transaction Services or the Authorised Representative using the contact details:

KPMG Transaction Services
A division of KPMG Financial Advisory
Services (Australia) Pty Ltd
Level 38, Tower Three
300 Barangaroo Avenue
Sydney NSW 2000
PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

Stewart May

C/O KPMG
PO Box H67
Australia Square
NSW 1213

Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

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Intellectual Property Report



10.1**Introduction**

The following is a report prepared by Davies Collison Cave Pty Ltd for Hexima in relation to patents and patent applications, in the name of Hexima, as at 28 September 2020.



INTELLECTUAL PROPERTY

Davies Collision Cave Pty Ltd
Patent and Trade Mark Attorneys
Australia and New Zealand

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Melbourne Victoria 3000
Australia

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Melbourne Victoria 3001
Australia

T +61 3 9254 2777
F +61 3 9254 2770
E mail@davies.com.au
W www.davies.com.au
ABN 13 613 954 368

Via Email Only
s.herd@latrobe.edu.au

28 September 2020

Dr Susanna Herd
Hexima Limited
La Trobe Institute for Molecular Science
Level 4, LIMS 2
Plenty Road
La Trobe University VIC 3086

DCC Ref: 35540651/AXT/AMT

Re: IP Report on PCT/AU2015/050293 and PCT/AU2015/050294

Dear Susanna,

Please find **attached** an Intellectual Property ("**IP**") Report on the family of patents and patent applications derived from international patent applications PCT/AU2015/050293 and PCT/AU2015/050294.

This report has been prepared by Davies Collision Cave Pty Ltd ("**DCC**") for inclusion in a prospectus to be issued by Hexima Pty Ltd (Hexima), and DCC provides permission for the report to be incorporated into the prospectus.

Yours sincerely,
DAVIES COLLISION CAVE PTY LTD

Alex Tzanidis PhD
Principal
ATzanidis@davies.com.au

AUSTRALIA
NEW ZEALAND
SINGAPORE
ASIA PACIFIC

IP Report on PCT/AU2015/050293 and PCT/AU2015/050294 and patents and patent applications derived therefrom

About Davies Collison Cave

DCC is one of Australia's leading intellectual property firms. It specialises in providing advice relating to protecting and enforcing intellectual property rights. DCC has over 250 professionals and staff working for the firm and can trace its history back more than 140 years, making it one of Australia's longest established IP firms.

The services provided by DCC cover aspects of IP including patents, registered designs, trade marks, copyright and plant breeders' rights, and is provided by attorneys possessing a diverse range of technical skills in areas including chemistry and materials, clean energy, engineering, physics and electronics, information technology, life sciences, pharmaceuticals, medical devices, nanotechnology and plant innovation.

Intellectual Property Overview

Intellectual property is a collective term used to refer to a number of different rights including patents, registered designs, trade marks, copyright and trade secrets.

Patents

A patent is a legally enforceable and exclusive right to commercially exploit an invention for a defined period of time in a particular territory.

In Australia, where the invention is a product, exploitation includes making, hiring, selling or otherwise disposing of the product, or offering to make, sell, hire or otherwise dispose of the product, using or importing the product, or keeping the product for the purpose of doing any of those things. For a method or process, exploitation includes using the method or process or exploiting a product resulting from performing the method or process. Other countries have their own laws regarding the rights afforded by a granted patent, and advice should be sought on a country by country basis if further information is required.

A patent is granted for inventions that meet defined criteria. The laws of different countries generally have different criteria, and hence make their own assessment as to the patentability of an invention. In general, the requirements include that the claimed invention is novel, involves an inventive step and meets subject matter eligibility requirements.

Patent Application Process

In order to obtain patent protection, it is ultimately necessary for an application to be filed with a Patent Office in each country where protection is to be sought. However, international conventions exist that enable a patent application to be initially filed in a single country, with subsequent applications being filed individually in each country within a defined time limit.

For example, the Paris Convention provides a mechanism that allows patent applications to be filed to cover additional countries within 12 months of the date of lodging a first patent application in Australia. Thus, one or more provisional patent applications can be filed in Australia, and then subsequent applications can be filed covering other countries within 12 months of the earliest provisional patent application, using a process known as claiming priority.

The subsequent applications can be separate applications in each country of interest. Alternatively, a single International Patent Cooperation Treaty ("**PCT**") application can be filed covering a number of contracting states. The PCT application does not ultimately get granted as a patent, but rather allows the filing of national patent applications in individual countries to be deferred up to a set date, typically 30 months from the filing date of the first patent application, such as the first provisional patent application.

Once filed, the PCT application undergoes an assessment process, in which a designated patent office performs a search and issues an International Search Report and associated International Search Opinion, providing a preliminary view on whether the patent application meets novelty, inventive step and industrial applicability requirements. Responses to the International Search Opinion can be optionally filed during a subsequent examination process, before an International Preliminary Report on Patentability issues, providing an opinion of patentability.

It should be noted however that the outcome of this process is not binding and subsequent assessment is typically performed by patent offices in each country, after individual national patent applications have been filed. In this regard, each country will typically perform an independent search, and then assess whether the patent application meets the patentability requirements, additionally taking into account their own local law.

Whilst most countries require a local patent application to be filed, in some cases regional patent applications can be filed covering a group of individual countries. For example, a European patent application can be filed, which can allow subsequent patents to be granted in over 35 countries.

Assuming any objections are overcome, a patent can then be granted on the application allowing this to be subsequently enforced to prevent third parties exploiting the invention.

The following is a report prepared by Davies Collison Cave Pty Ltd for Hexima in relation to the patents and patent applications in the name of Hexima, as at 28 September 2020, which are relevant and material to Hexima's business and projects (which are described in this Prospectus).

Patents and patent applications derived from PCT/AU2015/050293 – "A method of treatment"

Details of the patents and patent applications derived from PCT/AU2015/050293 are provided in Patent Schedule I, below.

PCT/AU2015/050293 was filed on 29 May 2015 in the name of *Hexima Limited* and was subsequently published on 28 April 2016 as WO 2016/061619.

PCT/AU2015/050293 claims priority from US patent application no. 62/066,808, filed 21 October 2014.

The abstract of PCT/AU2015/050293 states "The disclosure relates to the control of fungal infection of horn-like envelopes covering dorsal and terminal phalanges in humans and animals and related cerebral protrusions in animals as well as keratin comprising material on surfaces of humans and animals. Agents and natural and synthetic formulations and extracts useful for the control of fungal infection of these envelopes and related protrusions and keratin comprising material are also encompassed by the subject disclosure. In an embodiment, the present disclosure teaches the treatment of fungal infection of nails and in particular onychomycosis in humans."

As set out in Patent Schedule I, below, 4 patent applications derived from PCT/AU2015/050293 have been granted in Japan, Singapore and the United States, the European counterpart has been accepted for grant, and 15 patent applications are currently pending in Australia, Brazil, Canada, China, India, Japan, Malaysia, Mexico, New Zealand, Korea, Singapore, Hong Kong and the United States.

**Patents and patent applications derived from PCT/AU2015/050294 –
"A method of *in vivo* treatment"**

Details of the patents and patent applications derived from PCT/AU2015/050294 are provided in Patent Schedule II, below.

PCT/AU2015/050294 was filed on 29 May 2015 in the name of *Hexima Limited* and was subsequently published on 8 December 2016 as WO 2016/191790.

The abstract of PCT/AU2015/050294 states "The present disclosure teaches the treatment or prophylaxis of infection by a microorganism including a fungus or bacterium which is infecting or colonizing an *in vivo* tissue, surface or membrane. The method comprising administering to the subject with the infection or directly to the site of infection a plant-derived defensin or a functional variant or derivative thereof."

As set out in Patent Schedule II, below, the Australian patent application derived from PCT/AU2015/050294 has been granted, the Japanese counterpart has been accepted for grant and 8 patent applications are currently pending in Australia, Canada, Europe, New Zealand, Singapore, Hong Kong and the United States.

PATENT SCHEDULE I
(as at 28 September 2020)

PCT/AU2015/050293 – "A method of treatment"

Country	Application No.	Patent No.	Priority Date	Filing Date	Status
Australia	2015336933		21-Oct-2014	29-May-2015	Pending
Brazil	BR112017008211.0		21-Oct-2014	29-May-2015	Pending
Canada	2965187		21-Oct-2014	29-May-2015	Pending
China	201580066874.X		21-Oct-2014	29-May-2015	Pending
Europe	15852021.3		21-Oct-2014	29-May-2015	Accepted
India	201717013353		21-Oct-2014	29-May-2015	Pending
Japan	2017-522540	6646662	21-Oct-2014	29-May-2015	Granted
Japan	2019-205104		21-Oct-2014	13-Nov-2019	Pending
Malaysia	PI2017701333		21-Oct-2014	29-May-2015	Pending
Malaysia	N/A		21-Oct-2014	28-Aug-2020	Pending
Mexico	MX/a/2017/005305		21-Oct-2014	29-May-2015	Pending
New Zealand	731143		21-Oct-2014	29-May-2015	Pending
New Zealand	764895		21-Oct-2014	28-May-2020	Pending
Korea	10-2017-7013649		21-Oct-2014	29-May-2015	Pending

Country	Application No.	Patent No.	Priority Date	Filing Date	Status
Singapore	11201703184S	11201703184S	21-Oct-2014	29-May-2015	Granted
Singapore	10201912688Y		21-Oct-2014	19-Dec-2019	Pending
Hong Kong	17112711.1		21-Oct-2014	29-May-2015	Pending
United States of America	14/726,400	9,713,632	21-Oct-2014	29-May-2015	Granted
United States of America	15/494,400		21-Oct-2014	21-Apr-2017	Pending
United States of America	15/610,853	10,010,576	21-Oct-2014	01-Jun-2017	Granted

PATENT SCHEDULE II
(as at 28 September 2020)

PCT/AU2015/050294 – "A method of in vivo treatment"

Country	Application No.	Patent No.	Priority Date	Filing Date	Status
Australia	2015396744	2015396744	29-May-2015	29-May-2015	Granted
Australia	2020204461		29-May-2015	03-July-2020	Pending
Canada	2987669		29-May-2015	29-May-2015	Pending
Europe	15893548.6		29-May-2015	29-May-2015	Pending
Japan	2017-561882		29-May-2015	29-May-2015	Accepted
New Zealand	736735		29-May-2015	29-May-2015	Pending
New Zealand	764898		29-May-2015	28-May-2020	Pending
Singapore	11201708815U		29-May-2015	29-May-2015	Pending
Hong Kong	1811806.1		29-May-2015	29-May-2015	Pending
United States of America	15/833,171		29-May-2015	29-May-2015	Pending

Limitations

Patent Office Information

The information has been prepared based on information supplied by Patent Offices in relevant jurisdictions, either through official communications or through publication on official databases. We cannot take responsibility for missing or erroneous data that is provided by the Patent Offices and as such DCC is not responsible for the accuracy of the information provided.

Scope of Patents

DCC can provide no assurance that any of the patent applications listed in the Schedule will result in the grant of a patent, or that the scope of protection provided by any patent that is granted will be identical to the scope of the claims in an application as originally filed.

Validity of Patents

It is important to understand that granting of a patent is not a guarantee of validity and patents can be held subsequently unenforceable, for example during court proceedings or third party oppositions in some jurisdictions. DCC can provide no assurance as to the validity of the patent applications or any patent granted based thereon.

Commercial Activities

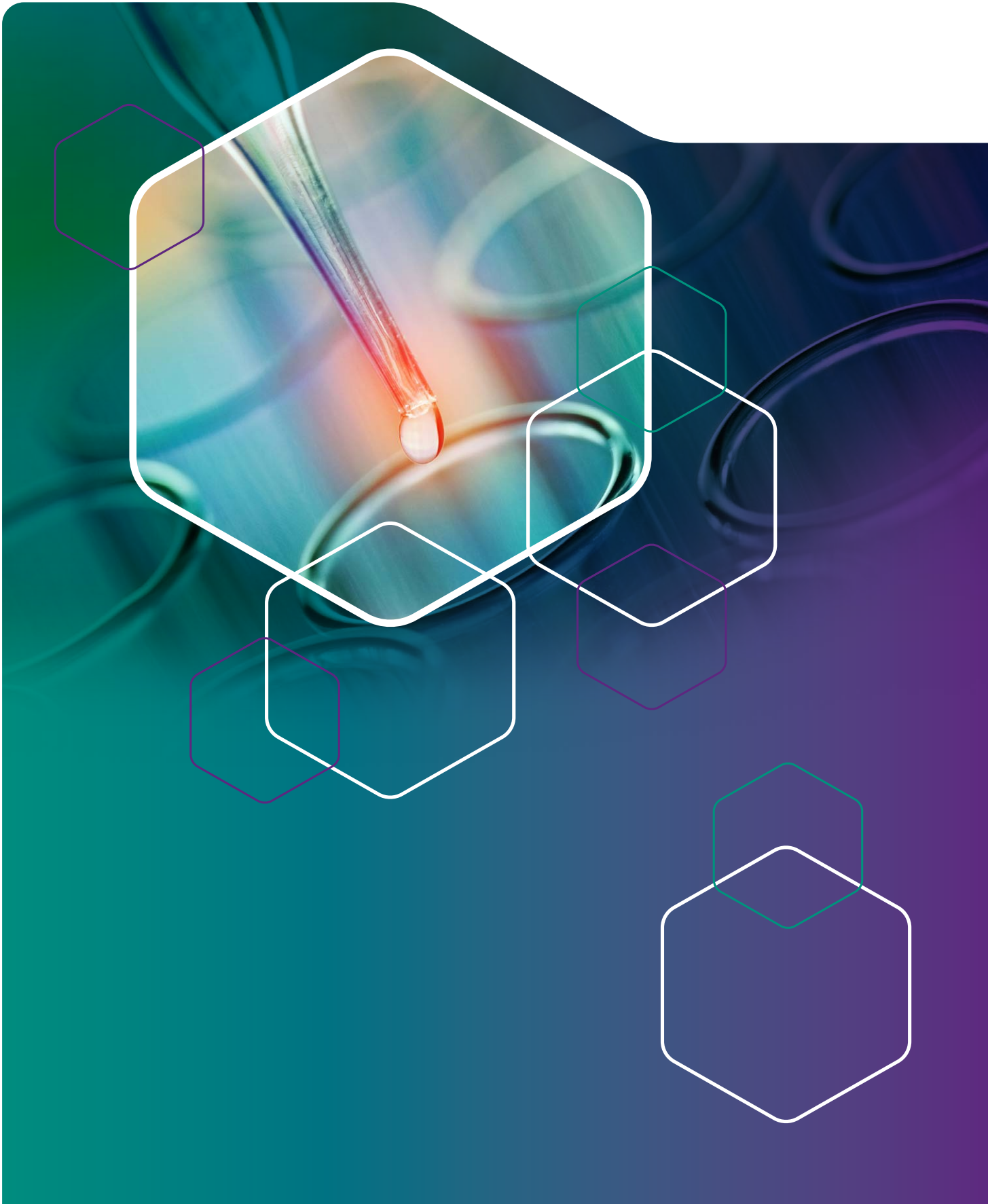
DCC can provide no assurance that any patents or patents granted on the patent applications listed in the Schedule, even if valid, will cover the commercial activities of Hexima, or that exploitation of the inventions described and claimed in the patent applications listed in the Schedule, or any patents granted thereon, will not infringe any rights held by third parties.

It is important to understand that granting of a patent provides a monopoly right to prevent exploitation of the invention by third parties, but provides no guarantee that the invention can be commercialised without infringing other third party rights. DCC can therefore provide no assurances as to freedom to operate in respect to any commercial activities.

Patent Searches

Searches may be conducted in respect of patents or patent applications to ascertain their validity or to identify other third party patent rights. No search can provide completely comprehensive results and it is not possible to guarantee the accuracy of any such results, conducted by any parties, due to a range of limitations. DCC cannot therefore provide assurances as to the accuracy of any searches that may have been performed.

Additional Information



11.1

Company Information

Hexima was registered in Victoria, Australia on 17 July 1997 as a public company limited by shares.

In 2007, the Company raised \$40 million through an initial public offering of 30 million Shares and was admitted to the official list of ASX on 27 August 2007. The Company was delisted on 17 June 2011 following approval by a general meeting of Shareholders.

In 2017, Hexima raised approximately \$3.9 million via a rights issue to existing Shareholders at an issue price of \$0.08 per share (\$0.16 on a post-consolidation basis).

In 2019, Hexima raised a further \$3 million in the form of Convertible Notes. In September 2020, Hexima completed a placement for \$5.5 million at \$0.10 per share (\$0.20 on a post-consolidation basis). Upon completion of the Placement, Convertible Notes on issue converted to ordinary Shares.

Following this, Hexima completed a 1 for 2 share consolidation reducing the number of Shares on issue from 231,715,387 to 115,857,694.

11.2

Constitution, rights attaching to Shares and registers

On 5 October 2020, the Shareholders resolved to adopt a new Constitution which is of the type required for a listed public company limited by shares and which is updated to ensure it reflects the current provisions of the Corporations Act and ASX Listing Rules.

The rights and liabilities attaching to the ownership of the Shares arise from a combination of the Constitution, statute and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders.

Voting at a general meeting

Subject to any restrictions imposed by the Constitution and Corporations Act, at a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each fully paid Share held by the Shareholder.

Meetings of Shareholders

Subject to any restrictions imposed by the Constitution and the Corporations Act, each Shareholder is entitled to receive notice of, attend, and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to shareholders under the Constitution and the Corporations Act.

Except as permitted by the Corporations Act, general meetings must be called on at least the minimum number of days' notice required by the Corporations Act (which at the date of this Prospectus is 21 days) and otherwise in accordance with the procedures set out in the Corporations Act.

Shareholder meetings may be conducted virtually. Any Shareholder present at a meeting by means of electronic facility will be counted in the quorum and will be entitled to participate in the meeting.

Dividends

Subject to the Constitution, the Corporations Act and the terms of issue of Shares, the Board may:

- resolve to pay any interim, final or bonus dividend it thinks appropriate and fix the time and method for payment; and
- determine that a dividend is payable to the holders of one class of Shares to the exclusion of any other class.

For further information in respect of the Company's proposed dividend policy, see Section 11.4.

Transfer of Shares

Shares may be transferred by a proper transfer effected in accordance with the Constitution. Subject to compliance with the Constitution, Shares may be transferred by a written instrument of transfer in any usual or common form or by any other form approved by the Board.

The Directors may refuse to register any transfer of Shares if permitted to do so under the Constitution or the ASX Listing Rules or on Shares which the Company has a lien or which are subject to forfeiture. The Directors must refuse to register any transfer of Shares if the registration of the transfer would result in a breach of, or failure to observe, the provisions of any applicable law or a restriction agreement.

Issue of further Shares

Subject to the Constitution and the Corporations Act, the Board may issue or dispose of Shares to persons on the terms, at the issue price and at the times the Board determines. This includes the power to issue Shares with any preferential, deferred or special rights, privileges and conditions and any restrictions in regard to dividend, voting, return of capital or otherwise; to grant options to have Shares issued, issue preference Shares that are liable to be redeemed, and reclassify any Share.

Winding up

Subject to the terms of issue of Shares, if the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company, divide the surplus assets of the Company remaining after payment of its debts among the Shareholders in proportion to the number of Shares held by them (with partly paid Shares counted as fractions of fully paid Shares). For that purpose, the liquidator may fix the value of assets and determine how the division is to be carried out between the Shareholders and different classes of Shareholders. The liquidator may also, with the sanction of a special resolution of the Company, vest assets of the Company in trustees on any trusts determined by the liquidator for the benefit of the contributories.

Share buy-backs

The Company may, in accordance with the Corporations Act, buy back its own Shares.

Variation of class rights

At present, the Company's only class of shares on issue are the Shares. If there are different classes of shares, the rights attached to any class may, unless their terms of issue state otherwise, be varied or cancelled with the written consent of the holders of not less than 75% of the issued shares of that class or the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class.

Directors – appointment and rotation

Under the Constitution, the minimum number of Directors that may comprise the Board is 3 unless otherwise provided by the Corporations Act. Directors are elected at general meetings of the Company. Retirement will occur on a rotational basis so that no Director (excluding the managing Director) holds office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected. The Board may also appoint a person to fill a casual vacancy on the Board or as an addition to the existing Directors, who will then hold office until the next annual general meeting of the Company.

Directors – voting

A resolution of the Board must be passed by a majority of votes cast by Directors. In the case of an equality of votes on a resolution, the chairperson of the meeting does not have a casting vote in addition to the chairperson's vote as a Director and the resolution is not passed.

Directors – remuneration

The Directors, other than an executive Director, are to be paid or provided remuneration for services, a fixed sum determined by the Board, and at the time and in the manner determined by the Board, from time to time. The total amount or value of the remuneration in any year may not exceed an amount disclosed in this Prospectus or such other amount as is thereafter approved by the Company in general meeting. The current maximum aggregate sum per annum is \$500,000, with the initial remuneration of the Directors set out in Section 7.3

Pursuant to the Constitution, the Company will also pay Directors all reasonable travelling and other expenses properly incurred in attending Board meetings or any meetings of committees of Directors, in attending any general meetings of the Company or in connection with the Company's business.

Since 1 January 2015, Directors have received an annual issue of Options in lieu of cash remuneration for their services.

Restricted Securities

If ASX classifies any of the Company's Shares as restricted securities (as that term is defined in the ASX Listing Rules), then those shares cannot be disposed of during the applicable escrow period and rights attaching to those shares may be limited if the holder does not comply with the escrow requirements.

Sale of non-marketable parcels

Provided that the procedures set out in the Constitution are followed, the Company may sell the Shares of a Shareholder who holds less than a marketable parcel of those Shares. A marketable parcel of Shares is defined in the ASX Listing Rules and is, generally, a holding of Shares with a market value of less than \$500.

Indemnities

Subject to and to the extent permitted by the Corporations Act, the Company must indemnify or enter into and pay premiums on a contract, insuring any current or former officer of the Company or its subsidiaries against any liability incurred by that person in that capacity, including legal costs.

Amendment

The Constitution may be amended only by special resolution passed by at least three-quarters of the votes cast by Shareholders of the Company present (in person or by proxy) and entitled to vote on the resolution at a general meeting of the Company.

11.3

Company tax status and financial year

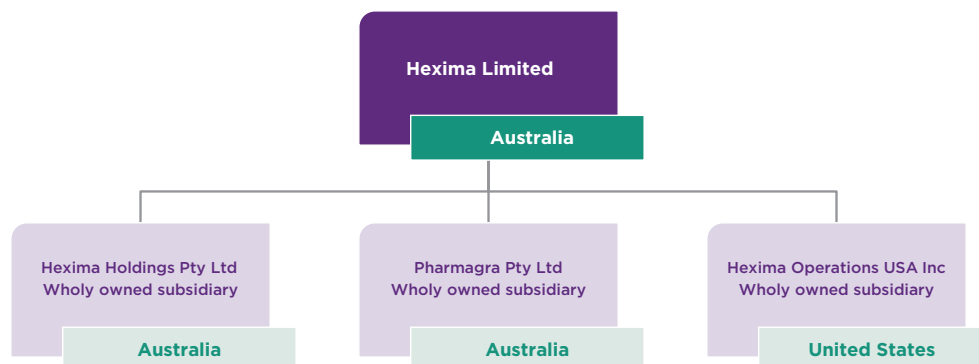
The Company is taxed in Australia as a public company. The financial year of the Company ends on 30 June annually.

11.4

Dividend policy

Hexima does not currently generate a profit and as it continues to expand its business operations the Company does not anticipate paying dividends in the foreseeable future, and expects that any future profits should remain in the Company to fund additional growth opportunities rather than be distributed in the form of dividends.

No assurances are given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend in future. Given the stage of development of the Company, it is likely that the Company will continue to incur losses and is unlikely to pay a dividend for a number of years. The payment of dividends by the Company is at the discretion of the Directors and will be a function of a number of factors, including specific and general business conditions, the operating results and financial performance and position of the Company, future funding requirements, compliance with debt facilities, capital management initiatives, taxation considerations (including level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Company and any other factors the Directors may consider relevant.



SaleCo and Sale Shares

SaleCo has been established so that existing Shareholders as at 15 October 2020 can sell all or some of their Shares and realise all or part of their investment in the Company. Shareholders will be sent information about the Share Sale Facility and how to participate.

SaleCo will acquire Shares from existing Shareholders who determine to sell Shares to SaleCo under Sale Agreements. The Sale Agreements, which are conditional on ASX granting approval to the admission of the Company to the official list of ASX, will provide that that Shares will be sold by existing Shareholders to SaleCo on Completion free from encumbrances and third party rights.

The Shares which SaleCo acquires from existing Shareholders (**Sale Shares**) will be transferred to successful applicants under the Offer. The price payable by SaleCo for these Shares if sold under the Offer will be the Offer Price, with no deduction for brokerage, stamp duty or other costs.

Applications received will be applied to the offer of New Shares first and, if the aggregate number of Shares applied for exceeds the number of New Shares, Applications will then be applied to the offer of Sale Shares. The number of Sale Shares offered by SaleCo through the Share Sale Facility will be scaled back if necessary on a pro-rata basis to reflect the Applications received under the Offer and in any case will not exceed 22,500,000 Shares.

SaleCo is a special purpose vehicle which has no material assets, liabilities or operations other than its interests in and obligations under the Sale Agreements and the SaleCo Indemnity Deed (under which the Company indemnifies SaleCo and its directors against any loss or liability that they may suffer or incur as a result of the Offer). The costs of the Offer that are attributable to SaleCo will be borne by the Company. The directors of SaleCo are Nicole van der Weerden (the Chief Operating Officer of Hexima, see Section 4.1) and Michael D Aldridge (the Chief Executive Officer of Hexima, see Section 4.1). The sole shareholder of SaleCo is ABL Fiduciary Corporation Pty Ltd, a fiduciary company associated with Arnold Bloch Leibler, the Australian legal advisers to the Offer.

The Company has agreed to indemnify SaleCo, its directors and sole shareholder for any loss any of them may incur as a consequence of the Offer. The Company has agreed to provide such resources and support as are necessary to enable SaleCo to discharge its functions in relation to the Offer.

Existing Shareholders should contact the Hexima Offer Information Line for further information.

Material contracts

The Directors consider that there are a number of contracts which are significant or material to the Company or of such a nature that an investor may wish to have details of them when making an assessment of whether to apply for the Offer Shares. Summaries for material contracts set out in this Prospectus do not purport to be complete and are qualified by the text of the contracts themselves.

(a) La Trobe University Research Services Agreement

The Company is a party to a research services agreement with La Trobe University dated 18 December 2015 (**La Trobe University Research Services Agreement**).

The La Trobe University Research Services Agreement governs the provision of research services by La Trobe University to the Company and will expire on 31 December 2021 unless otherwise extended. Either party may terminate the La Trobe University Research Services Agreement on three months' written notice.

Under the La Trobe University Research Services Agreement, the Company will pay La Trobe University a service fee for the services, comprising of fixed costs and pro-rata costs based on floor area. The Company is also responsible for paying any employee bonus and severance fees.

(b) La Trobe University Participating Organisation Agreement

The Company is party to a participating organisation agreement with La Trobe University and several other partner organisations, dated 18 April 2019 (**Organisation Agreement**). Under the Organisation Agreement, the Company contributes both a monetary and in-kind amount towards a research project for the discovery of novel antimicrobial molecules from plants. The majority of the costs of the project are being funded by an Industrial Transformation Research Hubs (ITRH) grant given to La Trobe University (a copy of the ITRH funding agreement is publicly available at www.arc.gov.au/grants/grant-application/fundinggrant-agreements).

(c) La Trobe University Lease Agreement

The Company leases part of the La Trobe University Campus in Bundoora (Volume 10627 Folio 647). This lease will expire on 10 December 2028.

(d) Glasshouse Lease Agreement

The Company's subsidiary, Hexima Holdings Pty Ltd, owns a glasshouse facility and leases this facility to a third party tenant. The lease commenced 1 April 2017 for an initial three year term. The lease was extended on 1 April 2020 for a further three years.

(e) MGEV Licence Agreement

The Company is a party to a licence agreement with DuPont Pioneer (formerly Pioneer Hi-Bred International, Inc.) (**DuPont**) dated 27 December 2013 (**MGEV Licence Agreement**).

Under the MGEV Licence Agreement, the Company has granted a non-exclusive research licence and an option to a commercial licence for its MGEV gene expression technology for use against insect pests in crop plants. Payments may be payable by DuPont to the Company under this agreement from time to time. The MGEV Licence Agreement commenced on 27 December 2013 and will remain in effect until the expiration of the last-to-expire patent of the patent rights unless terminated earlier. DuPont may terminate the MGEV Licence Agreement by giving at least 60 days written notice. On 11 April 2016, DuPont elected to exercise its option to obtain a commercial licence for a fee prescribed by the Company on the terms of the amended MGEV Licence Agreement.

(f) DuPont Pioneer Research Collaboration Agreement

The Company is a party to a research collaboration agreement with DuPont Pioneer (formerly Pioneer Hi-Bred International, Inc) (**DuPont**) dated 27 December 2013, as amended and restated on 15 August 2014, 11 April 2016, 15 August 2017 and 15 January 2019 (**Research Collaboration Agreement**).

The Research Collaboration Agreement governs a collaborative research project for the discovery of novel insecticidal genes that confer resistance to insect pests of crop plants. This research project has now completed.

If a project gene, relevant improved project gene or homolog is commercialised, DuPont will pay the Company a royalty based on the amount of product sold by DuPont or its affiliates or licencees to certain growers for so long as the technology is covered by a valid patent claim.

(g) Charles River Laboratories Master Service Agreement

The Company is party to a master services agreement with Charles River Laboratories, Inc (**Charles River**) to provide animal toxicology and bioanalytical services, in accordance with an approved statement of work. The Company intends to agree to a statement of work in relation to the proposed animal toxicology studies to be funded by the Offer.

(h) Olon S.p.A Manufacturing and Service Agreement

The Company is a party to a master services agreement with Olon S.p.A (**Olon**) dated 29 February 2020 (**MSA**).

The MSA provides the terms and conditions upon which the Company may engage Olon from time to time to provide development and manufacturing services by executing individual purchase orders. This agreement will expire on 28 February 2023 and will automatically renew for additional one-year periods unless terminated upon at least 6 months' notice before the expiration date. The Company will pay Olon for the services pursuant to the MSA and any purchase order agreements. The cost and method for determining costs is intended to be provided for in each purchase order agreement.

If the Company elects to commercially exploit the HXP124 antifungal peptide alone or through an affiliate, agent, licensee or commercial partner, or elects to license the product to a licensee at an earlier stage, a subsidiary of Olon has a right of first refusal to be the exclusive and primary source of the product manufacturing.

(i) CNS Consultancy Agreement

The Company is a party to a consultancy agreement with Clinical Network Services (CNS) Pty Ltd ACN 082 063 492 (**CNS**) dated 14 September 2017 (**CNS Consultancy Agreement**).

Under the CNS Consultancy Agreement, CNS provides to the Company pre-clinical and manufacturing regulatory advice and manages the HXP124 phase IIb clinical trial. Hexima is responsible for adhering to certain regulatory requirements in relation to the phase IIb clinical trials, including in relation to product labelling and packaging, and maintaining suitable study insurance.

The CNS Consultancy Agreement commences on 14 September 2017 and will automatically expire on 14 September 2022. The Company must pay CNS a time-based fee for services provided and may terminate for convenience and without cause.

(j) Renexes Consultancy Agreement

The Company is party to a consultancy agreement with Renexes LLC (**Renexes**) to solicit potential production partners for HXP124 in Japan. On 15 August 2020, this agreement was suspended until the Company requires further assistance with its Japanese activities.

(k) Phillip Rose Consultancy Agreement

The Company is party to a consultancy agreement with Mr Phillip J. Rose for the provision of scientific advice regarding the development of HXP124. Mr Rose has been granted 100,000 options as remuneration for his services.

(l) Clinical Trial Research Agreements

Hexima has entered into agreements with multiple clinical sites across Australia and New Zealand to enrol patients in its HXP124 clinical trial IIb. Under these agreements, Hexima is responsible for providing certain equipment and funding to conduct the trials.

(m) Short Term Incentive Plan

The Company's Short Term Incentive Plan (**STIP**) commenced on 1 July 2019.

(i) Eligibility

All permanent employees of the Company and each Group Member are eligible to participate in the STIP. Non-Executive Directors are not eligible to participate.

(ii) Offer

The Board (or a relevant Board committee) has discretion to determine which permanent employees are invited to participate in the STIP. If an offer is to participate is accepted, the STIP rules do not form part of the employee's terms and conditions of employment. Each offer to participate will specify the maximum payment which the employee can receive under the STIP. The Company has discretion to determine the quantum of any payments made under the STIP, subject to Board approval. A payment under the STIP will normally be expressed in the offer as a percentage of the employee's total fixed remuneration.

(iii) Key performance indicators (KPIs)

The STIP sets out a recommended procedure which the permanent employee should follow to set KPIs. The Company and the Board will, among other factors, make a decision in relation to that employee's payment under the STIP based on those KPIs.

(iv) Other notable provisions

If an employee submits his or her resignation or has been given a notice of termination by the Company, the Company is not required to make any payment under the STIP.

For Australian domiciled employees, payments are inclusive of superannuation and are subject to applicable tax withholding. For US domiciled employees, participants agree that the Company's employer contribution is included in any payment made under the STIP.

(n) Long Term Incentive Plan

On 14 October 2020, the Board adopted a new Long-Term Incentive Plan (**LTIP**) in place of its existing Executive Share Option Plan (see Section 11.7(o)).

(i) Eligibility

Eligibility to participate in the LTIP will be determined by the Board. Eligible participants include:

- an employee of a Group Member;
- a director of a Group Member; or
- a consultant who acts in an advisory capacity for, or is engaged in the provision of services to, any Group Member.

(ii) Award

The Board has discretion to issue:

- Shares;
- options;
- performance rights; and/or
- share appreciation rights,

to eligible participants (**Award**).

(iii) Terms and conditions of Awards

The Board may set the terms and conditions on which it will offer or grant an Award, including the number and type of Awards and the vesting conditions, performance hurdles and/or exercise conditions attaching to those Awards. Any Shares acquired pursuant to the exercise of an Award will rank equally with all existing Shares from the date of acquisition. An Award does not entitle its holder to notice of, or to vote or attend at, a meeting of Shareholders or receive any dividends declared by the Company until the Award is exercised and the participant holds Shares as a result thereof. An Award does not confer the right to participate in a new issue of Shares by the Company, including by way of bonus issue, rights issue or otherwise. The participant is solely responsible for paying any federal, state, provincial, local or other taxes required by law to be paid in connection with the exercise of an Award.

(iv) LTIP limit

The number of Shares to be received under the LTIP on the exercise of the Awards (when aggregated with any Shares to be received under any other employee incentive scheme) must not exceed 10% of the total number of issued Shares at the time of granting the Awards. No Awards may be granted to an employee if the grant would result in that employee holding a beneficial interest in more than 10% of the Company and being in a position to cast, or to control the casting of, more than 10% of the maximum votes that might be cast at a general meeting of the Company.

In addition, in accordance with ASIC Class Order 14/1000, the number of Shares to be issued on exercise of the Awards granted in any three year period (when aggregated with any Shares to be received under any other employee incentive scheme during the same period) must not exceed 5% of the total number of issued Shares at the time of granting the Awards. The Board may only exceed the 5% capital limit if it can rely on other available exemptions to the need to issue a disclosure document in relation to issues under the LTIP, such as those under sections 708 or 1012D of the Corporations Act.

(v) Transfer restrictions

An Award may not be assigned, transferred, novated, encumbered or otherwise disposed of without the consent of the Board. An assignment to a participant's legal personal representative by force of law upon death is permissible. Once an Award is exercised and the participant holds Shares, those Shares are subject to the restrictions contained in the Company's Security Trading Policy (see Section 4.3).

(vi) Change of control

If a Change of Control Event occurs (as that term is defined in the LTIP), the Board may in its absolute discretion, make a determination that some or all of the unvested options, performance rights or share appreciation rights will vest.

(vii) Buy-back

The Company may enter into an agreement with a participant to buy-back the Awards.

(viii) Termination

The Board may by resolution terminate the LTIP or suspend the operation of the LTIP for such period or periods as it sees fit.

(o) Executive Share Option Plan

Prior to the adoption of the LTIP, the Company had adopted an Executive Share Option Plan (ESOP) to provide employees and Directors with a means of receiving Options to subscribe for Shares in the Company. The Company does not intend to grant any further Options under the ESOP.

Under the terms of the ESOP, the Board has discretion to determine the eligibility of any employee or Director to participate in the ESOP. Persons holding Options under the ESOP are not entitled to notice of, or to vote or attend at, a meeting of the Shareholders of the Company or receive any dividends declared by the Company as a result of solely holding those Options. Any Shares issued following the exercise of the Options will rank equally with all existing Shares on and from the date of issue. Options issued under the ESOP are subject to vesting and other conditions imposed by the Board.

As at the Prospectus Date, a number of Directors have received Options under the ESOP in lieu of cash consideration. A summary of the Options held by each Director is contained in Section 7.6.

(p) SaleCo Indemnity Deed

The Company has agreed to indemnify SaleCo, its directors and sole shareholder (see Section 11.6) for any loss, liability, damage, cost and expense any of them may incur as a consequence of the Offer. Furthermore, the Company has agreed to provide all assistance reasonably required by SaleCo, its directors and sole shareholder (or any of them) in connection with the Offer or any other transaction arising from the Offer.

11.8

Options

In addition to the Options to be granted to the Lead Manager referred to in Section 7.4, the Company has the following Options on issue.

Issue Date	Number	Exercise Price (Post- consolidation)	Last Vesting Date	Expiry Date
11 December 2015	500,000	\$1.00	11/12/16	11/12/20
12 February 2017	375,000	\$0.40	31/12/17	120/2/22
12 February 2017	662,500	\$0.16	12/02/21	12/02/22
1 January 2018	50,000	\$0.40	30/06/19	31/12/22
1 January 2018	148,000	\$0.40	01/01/18	01/01/23
1 January 2018	52,500	\$0.40	01/01/23	01/01/23
1 January 2018	312,500	\$0.40	31/12/18	01/01/23
1 January 2019	250,000	\$1.00	31/12/19	01/01/24
15 November 2019	155,500	\$1.00	15/11/19	15/11/24
28 January 2020	250,000	\$1.00	31/12/20	28/01/25
14 October 2020	1,750,000	\$0.20	14/10/21	14/10/30
14 October 2020	5,367,500	\$0.20	14/10/24	14/10/30
Total	9,878,500			

11.9

Legal proceedings

To the knowledge of the Directors, there is no material current, pending or threatened litigation with which the Company is directly or indirectly involved.

11.10

Regulatory matters

Hexima believes it holds and is in compliance with all material licences, regulatory authorisations, registrations and approvals that are necessary for its business and operations.

11.11

Summary of Australian tax issues in respect of the Offer Shares for Australian tax resident investors

(1) Australian taxation considerations

The following tax comments are based on the tax law in Australia in force as at the Prospectus Date. Australian tax laws are complex. This summary is general in nature and is not intended to be an authoritative or complete statement of all potential tax implications for each investor. The taxation laws of Australia or their interpretation may change. The precise implications of ownership or disposal of the Offer Shares will depend upon each investor's specific circumstances. Investors should seek their own professional advice on the taxation implications of holding or disposing of the Offer Shares, taking into account their specific circumstances.

The following information is a general summary of the Australian income tax implications for Australian tax resident individuals, complying superannuation entities, trusts, partnerships and corporate investors (other than life insurance companies). These comments do not apply to non-Australian tax resident investors, banks, insurance companies, employees who hold their Shares under an employee share scheme, investors that hold Shares on revenue account or carry on a business of trading in shares, investors who are exempt from Australian income tax or investors subject to the Taxation of Financial Arrangements regime in Division 230 of the Income Tax Assessment Act 1997 (Cth) which have made elections for the fair value or reliance on financial reports methodologies.

(2) Issue of rights

The issue of non-renounceable rights will not result in any amount being included in the assessable income of an investor

(3) Dividends paid on Shares

Australian tax resident individuals and complying superannuation entities

Dividends paid by the Company on a Share will constitute assessable income of an Australian tax resident shareholder. Australian tax resident shareholders who are individuals or complying superannuation entities should include the dividend in their assessable income in the year the dividend is paid, together with any franking credit attached to that dividend. In some cases, superannuation funds may be exempt to the extent the Shares are held to support current pension liabilities. In most cases shareholders should be entitled to a tax offset equal to the franking credit attached to the dividend, subject to being a 'qualified person' (as discussed below). The tax offset can be applied to reduce the tax payable on the shareholder's taxable income. Where the tax offset exceeds the tax payable on the shareholder's taxable income, such shareholders should be entitled to a tax refund.

To the extent that the dividend is unfranked, the shareholder will generally be taxed at his or her prevailing marginal rate on the dividend received with no tax offset.

Australian tax resident corporate shareholders

Australian tax resident corporate shareholders are also required to include both the dividend and associated franking credit in their assessable income.

They are then allowed a tax offset up to the amount of the franking credit on the dividend. An Australian tax resident corporate shareholder should be entitled to a credit in its own franking account to the extent of the franking credit on the distribution received. This should allow the corporate shareholder to pass on the benefit of the franking credits to its own shareholder(s) on the payment of dividends.

Excess franking credits received cannot give rise to a refund for a company but may in certain circumstances be converted into carry forward tax losses.

Australian tax resident trusts and partnerships

Shareholders who are Australian tax resident trusts and trustees (other than trustees of complying superannuation entities) or partnerships should include both the dividend and the franking credit in determining the net income of the trust or partnership. The relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the net income of the trust or partnership, subject to certain requirements being satisfied.

The application of the Australian taxation laws to trusts with regards to the taxation of dividends is complex. Advice should be sought to confirm the appropriate taxation considerations and treatment.

Shares held 'at risk'

The benefit of franking credits can be denied where a shareholder is not a 'qualified person' in which case the shareholder will not need to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a 'qualified person', a shareholder must satisfy the holding period rule and, to the extent necessary, the related payment rule.

Subject to the related payment rule (refer below), under the holding period rule, an investor is required to hold Shares 'at risk' for more than 45 days continuously (which is measured as a period of at least 45 days commencing the day after the Shares were acquired and at the latest ending on the 45th day after the day on which the Shares become ex-dividend) in order to qualify for franking benefits, including franking credits. Any day on which an investor has a materially diminished risk or loss of opportunity for gain (through transactions such as granting options or warrants over Shares or entering into a contract to sell the Shares) may not be counted as a day on which the investor held the Shares 'at risk'. This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed \$5,000.

Special rules apply to trusts and beneficiaries. Specifically, there are particular difficulties in satisfying the holding period rule where an investor holds Shares through a discretionary trust where no family trust election has been made. It may be the case that the holding

period rule cannot be satisfied (except in the case of individual beneficiaries who have franking credit entitlements that do not exceed \$5,000 in a year). If you are the trustee of a discretionary trust, it is strongly recommended that you seek professional advice.

Under the related payment rule, a different testing period applies where the investor has made, or is under an obligation to make, a related payment in relation to the dividend. The related payment rule requires the investor to have held the Shares at risk for the continuous 45 day period as above and, more specifically, within the limited period commencing on the 45th day before, and ending on the 45th day after, the day the Shares become ex-dividend.

Investors should seek professional advice to determine if these requirements, as they apply to them, have been satisfied.

Dividend washing

The Australian Government has introduced specific integrity rules that may apply to deny franking tax offsets to certain “dividend washing” arrangements. Broadly, dividend washing (or ‘distribution washing’) is a type of scheme by which a taxpayer can obtain multiple franking credits in respect of a single economic interest by selling an interest after an entitlement to a franked distribution has accrued and then immediately purchasing an equivalent interest with a further entitlement to a corresponding franked distribution. Shareholders should have regard to these changes in considering the tax implications of their personal circumstances.

(4) Australian capital gains tax

Australian tax resident shareholders that hold their shares on capital account will be subject to Australian CGT on the disposal of the Shares. Some investors may hold Shares on revenue account, as trading stock or under the Taxation of Financial Arrangements regime. Investors should seek their own advice.

The disposal of shares held on capital account would result in a CGT event occurring at the earlier of the time when a contract to dispose of the shares was entered into or the time at which disposal occurs. An investor will derive a capital gain on the disposal of a particular Share where the capital proceeds received on disposal exceeds the CGT cost base of the Share. The CGT cost base of the Share is broadly the amount paid to acquire the Share plus any transaction/incidental costs. The CGT cost base of the Share may be reduced as a result of receiving non-assessable distributions, such as returns of capital. In an arm’s length transaction, the capital proceeds should generally be the cash proceeds received from the sale of Shares.

A CGT discount may be available on the capital gain for individual investors, trustee investors and investors that are complying superannuation entities, broadly where the particular Shares are held for at least 12 months prior to sale. Any current year or carry forward capital losses should offset the capital gain first before the CGT discount can be applied.

The CGT discount for individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) is 50%, and for complying superannuation entities is $33\frac{1}{3}\%$.

In relation to trusts, the rules are complex, but the benefit of the CGT discount may be flowed up to beneficiaries of the trust, subject to certain requirements being satisfied.

An investor may incur a capital loss on the disposal of the particular Shares to the extent that the capital proceeds on disposal are less than the CGT reduced cost base of the Shares.

The CGT discount is not available to corporate shareholders (including those deemed to be corporate shareholders).

If an investor derives a net capital gain in a year, this amount is included in the investor’s assessable income. If an investor incurs a net capital loss in a year, this amount can be carried forward and will only be deductible against capital gains derived in subsequent years, subject in some cases to the investor satisfying certain rules relating to the recoupment of carried forward losses. Trusts are not subject to tax loss recoupment rules in relation to net capital losses.

(5) Tax file numbers

An investor is not required to quote their TFN, or where an investor holds Shares as part of an enterprise, their ABN to the Company. However, if TFN, ABN or exemption details are not provided, Australian tax may be required to be deducted by the Company at the maximum marginal tax rate plus the Medicare levy from certain dividends paid.

No withholding requirement applies in respect of fully franked dividends paid by the Company on the Shares.

(6) Stamp duty

No Australian stamp duty should be payable by Shareholders in respect of the Offer or their acquisition or disposal of their Shares in the Company whilst it is a listed company. Individual Shareholder should obtain their own independent advice depending on their individual circumstances

(7) Australian goods and services tax

The acquisition of the Shares by an Australian resident (that is registered for GST) should be an input taxed financial supply, and therefore should not be subject to GST.

No GST should be payable in respect of dividends paid to investors.

An Australian resident investor that is registered for GST may not be entitled to claim full input tax credits in respect of GST on expenses they incur that relate to the acquisition, redemption or disposal of the Shares (e.g. lawyers' and accountants' fees).

Investors should seek their own advice on the impact of GST in their own particular circumstances.

11.12

Consents

Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Written consents to the issue of this Prospectus have been given and, at the time of lodgement of this Prospectus with ASIC, had not been withdrawn by the following parties:

Arnold Bloch Leibler has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian legal adviser (other than in relation to intellectual property and taxation matters) to the Company in relation to the Offer in the form and context in which it is named.

KPMG Financial Advisory Services (Australia) Pty Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Investigating Accountant to the Company in the form and context in which it is named and has given and not withdrawn its consent to the inclusion in this Prospectus of the Limited Assurance Investigating Accountant's Report in the form and context it is included. KPMG Financial Advisory Services (Australia) Pty Limited takes no responsibility for any part of this Prospectus other than any reference to its name and the Limited Assurance Investigating Accountant's Report.

KPMG has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the auditor of the Company.

The Lead Manager has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Lead Manager in the form and context in which it is named.

Link Market Services has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Share Registry in the form and context in which it is named. Link Market Services has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registry to the Company.

Davies Collison Cave Pty Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as patent attorneys for the Company in relation to the IP Report in Section 10 in the form and context in which it is named and has given and not withdrawn its consent to the inclusion in this Prospectus of the IP Report (and all references to the IP Report in this Prospectus) in the form and context in which it appears.

No entity or person referred to in this Section 11.12 has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each of the persons referred to in this Section 11.12 expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus, except those specifically attributed to each of them in this Prospectus.

11.13


Governing law


This Prospectus and the contracts that arise from the acceptance of the Applications under this Prospectus are governed by the laws applicable in Victoria, Australia and each Applicant under this Prospectus submits to the exclusive jurisdiction of the courts of Victoria, Australia.

11.14

Directors' authorisation

This Prospectus is authorised by each Director and each director of SaleCo who each consent to its lodgement with ASIC and its issue.

For and on behalf of
Hexima Limited


For and on behalf of
Hexima SaleCo Pty Ltd


Appendices



Appendix A: Glossary

Where the following terms are used in this Prospectus, they have the following meanings:

AAS means Australian Accounting Standards.

AASB means Australian Accounting Standards Board.

ABN means Australian Business Number.

Applicant(s) means a person who submits an Application.

Application(s) means an application made to acquire the Offer Shares.

Application Form means the application form included in or accompanying this Prospectus relating to the Offer.

Application Monies the amount of money accompanying an Application Form submitted by an Applicant.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the listing rules of ASX.

ASX Recommendations means the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

AUD means Australian dollars.

Audit and Risk Management Committee has the meaning given to that term in Section 4.3.

Australian Accounting Standards means the Australian Accounting Standards and other authoritative pronouncements issued by the AASB.

Australian Auditing Standards means auditing standards made under section 336 of the Corporations Act.

Board means the board of Directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Capital Expenditure means expenditure related to property, plant and equipment.

CGT means capital gains tax (and capital gain takes its meaning from section 995-1 of the Tax Act).

Chairman means the chairperson of the Meeting.

CHES means Clearing House Electronic Sub-register System, operated in accordance with the Corporations Act.

Closing Date means the date by which Applications must be lodged for the Offer, being 13 November 2020. This date may be varied by the Company and SaleCo without prior notice.

Company or **Hexima** means Hexima Limited (ACN 079 319 314).

Company Secretary means Helen Molloy.

Completion or **Completion of the Offer** means the completion of the Offer, being the date on which Shares are issued or transferred to successful Applicants in accordance with the terms of the Offer.

Constitution means the Company's constitution.

Control has the meaning given in section 50AA of the Corporations Act.

Convertible Notes means the unsecured, interest-bearing convertible notes with a maturity date of 31 December 2020 issued by the Company in 2019 to raise \$3 million.

Corporations Act means the Corporations Act 2001 (Cth).

COVID-19 means the outbreak of the novel coronavirus disease.

Director means a director of the Company.

Executive Director means an executive Director.

EBIT means earnings before interest and tax.

EBITDA means earnings before interest, tax, depreciation and amortisation.

Emphasis of Matter means a paragraph included in the auditor's report that refers to a matter appropriately presented or disclosed in the financial report that, in the auditor's judgement, is of such importance that it is fundamental to users' understanding of the financial report.

Executive Share Option Plan means the executive share option plan as defined in Section 11.7(o).

Expiry Date means 15 October 2021.

Exposure Period means the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by ASIC by not more than 7 days pursuant to section 727(3) of the Corporations Act.

FDA means the US Food and Drug Administration.

Financial Information means the Statutory Historical Financial Information and the Pro Forma Historical Financial Information.

FY18 means financial year or year ended or ending 30 June 2018.

FY19 means financial year or year ended or ending 30 June 2019.

FY20 means financial year or year ended or ending 30 June 2020.

Glossary means this glossary.

GMP means Good Manufacturing Practice for Medicinal Products as prescribed in the Therapeutic Goods Act 1989 for Australia.

Group means the Company and its Subsidiaries.

Group Member means any entity within the Group.

GST means goods and services or similar tax imposed in Australia.

Hexima Offer Information Line means +61 1800 500 710.

HXP124 means Hexima's leading product candidate for a topical treatment for onychomycosis.

IFRS means International Financial Reporting Standards.

IND or IND Application means an Investigational New Drug Application.

Investigational New Drug Application means an application for permission to conduct human clinical trials in the US, lodged with the FDA.

Investigating Accountant means KPMG Financial Advisory Services (Australia) Pty Ltd (ACN 007 363 215).

Investigating Accountant's Report means the report prepared by the Investigating Accountant set out in Section 9.

Key Management Personnel has the meaning set out in Section 4.3.

KPMG means KPMG (ABN 51 194 660 183).

Lead Manager means Canaccord Genuity (Australia) Limited (ACN 075 071 466).

Lead Manager Mandate means the mandate agreement pursuant to which the Company has appointed the Lead Manager, as described in Section 7.4.

Limited Assurance Investigating Accountant's Report means the report prepared by the Investigating Accountant set out in Section 9.

Listing means admission of the Company to the official list of ASX and quotation of the Shares on ASX.

Listing Rules means the official listing rules of ASX.

LTIP means the long term incentive plan defined in Section 11.7(n).

New Shares means the new Shares to be issued by the Company under the Offer.

Non-Executive Director means a non-executive Director.

Offer means an offer of Shares under this Prospectus as set out in Section 8.

Offer Shares means the New Shares and the Sale Shares issued or transferred under the Offer.

Offer Period means the period from the Opening Date until the Closing Date. The first day of the Offer Period may be varied by the Company and SaleCo without prior notice.

Offer Price means \$0.20 per Offer Share.

Official List means the official list of ASX.

Opening Date means 22 October 2020.

Operating cash flow is calculated as EBITDA, less non-cash items in EBITDA, plus or minus changes in working capital.

Operating cash flow after capital expenditure is operating cash flow less Capital Expenditure.

Option means the options to acquire Shares.

OTC means over the counter.

Placement means the issue of \$5.5 million worth of Shares to institutional and sophisticated investors in September 2020.

Prospectus means this document and any supplementary or replacement Prospectus in relation to this document.

Prospectus Date means the date of this Prospectus, being 15 October 2020.

Pro Forma Historical Income Statements has the meaning set out in Section 5.1.

Pro Forma Historical Financial Information has the meaning set out in Section 5.1.

Pro Forma Historical Statements of Cash Flows has the meaning set out in Section 5.1.

Pro Forma Historical Statement of Financial Position has the meaning set out in Section 5.1.

R&D means research and development.

Remuneration and Nomination Committee has the meaning given to that term in Section 4.3.

Sale Agreements means the sale agreements under which SaleCo acquires Shares from the existing Shareholders as described in Section 8.2.

Sale Shares means the existing Shares offered for sale by SaleCo under this Prospectus, representing not more than 22,500,000 Shares.

SaleCo means Hexima SaleCo Pty Ltd (ACN 644 176 278).

SaleCo Indemnity Deed means the SaleCo indemnity deed dated on or about the date of this Prospectus between the Company, SaleCo, its directors and sole shareholder as described in Section 11.7(p).

Section means a section of this Prospectus.

Share Sale Facility means the facility through which existing Shareholders may sell their Shares to SaleCo.

Shares means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of one or more Shares.

Share Registry means Link Market Services (Australia) (ACN 083 214 537).

SRN means the Securityholder Reference Number.

Statutory Historical Income Statements has the meaning set out in Section 5.1.

Statutory Historical Financial Information has the meaning set out in Section 5.1.

Statutory Historical Statements of Cash Flows has the meaning set out in Section 5.1.

Statutory Historical Statement of Financial Position has the meaning set out in Section 5.1.

STIP means the short term incentive plan as defined in Section 11.7(m).

Tax Act means the Income Tax Assessment Act 1997 (Cth) or the Income Tax Assessment Act 1936 (Cth), as the case may be, or any replacement or other relevant legislation and regulations.

TFN means tax file number.

US, USA or United States means the United States of America.

US Securities Act means the US Securities Act 1933 (as amended).

USD means United States dollars.

Working Capital means the aggregate of receivables less trade and other payables and employee benefits.

Appendix B: Significant Accounting Policies

Basis of Preparation

The consolidated financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001 (Cth), Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB').

These consolidated financial statements also comply with the International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

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

The Financial Information has been prepared under a going concern basis.

The consolidated financial statements provide comparative information in respect of the previous periods. The accounting policies have been applied consistently to all periods presented in the financial statements.

Significant Accounting Policies

Revenue

Revenue recognition under AASB 15

Performance obligations and revenue recognition policies

Research and collaboration fees

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under AASB 15
Research and collaboration fees – recognised over time	Customer obtains control as the underlying research services are performed. This usually occurs when the underlying activities are undertaken by the Group over time. Where an agreement contains a right to access the Group's IP this is also recognised over time.	Revenue is recognised when the underlying expenses underpinning the delivery of services are incurred. \$0.40

Rental income

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'.

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.

Accounting Judgements, estimates and assumptions

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 Audit and Risk Management Committee.

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

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

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

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

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

The Group measure share-based payments at fair value.

Share-based payment transactions

The fair value of employee share options at the 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.





Corporate directory

Registered Office

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

Share Registry

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

Hexima Offer Information Line

Within Australia : 1800 500 710
Outside Australia: +61 1800 500 710
Hours of operation: 8.30am to 5.30pm Monday to Friday (Melbourne time)

Offer website

<https://events.miraqle.com/hexima-public-offer>

Lead Manager

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Australian Legal Adviser

Arnold Bloch Leibler
Level 21/333 Collins St
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Patent Attorney

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Investigating Accountant

KPMG Transaction Services, a division of KPMG Financial Advisory Services (Australia) Pty Ltd
Tower Two, Collins Square
727 Collins Street
Melbourne Victoria 3008, Australia

Auditor

KPMG
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