

HEXIMA LIMITED
ABN 64 079 319 314

INTERIM CONSOLIDATED FINANCIAL REPORT

For the six months ended

31 December 2012

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HEXIMA LIMITED
ABN 64 079 319 314

DIRECTORS' REPORT

The Directors present their report of Hexima Limited ("the Company") for the six months ended 31 December 2012 and the review report thereon.

DIRECTORS

The Directors of the Company at any time during or since the end of the interim period are:

Executive

Mr Ross Dobinson	Executive Chairman	Director since 21 July 2010
Professor Marilyn A Anderson	Executive Director/Chief Science Officer	Director since 23 November 2010

Non-Executive

Mr Steven M Skala AO	Non-Executive Director	Director since 17 May 2002, Chairman 2002 until 30 June 2008 and 2 Oct 2009 until 21 July 2010
Mr Hugh M Morgan AC	Non-Executive Director	Director since 10 May 2007
Professor Jonathan West	Non-Executive Director	Director since 7 November 2005

REVIEW OF OPERATIONS

Financial

Hexima's principal activity comprises research, development and commercialisation of technology for the genetic modification of crops, primarily to enhance their resistance to insects and fungal pathogens. The Company seeks to commercialise its technology platforms in partnership with global agricultural companies.

As at 31 December 2012, Hexima had approximately \$11.3 million in cash and receivables (including accrued R&D tax incentive, interest and other receivables). This equates to approximately 3 years of funding which has increased due to the introduction of the government's R&D Tax Credit legislation.

Net cash usage for the six months was \$0.142 million compared with \$2.924 million in the prior corresponding period. This reduction of \$2.782 million relates directly to the Tax credit received in November 2012 for the 2011/12 year, of \$2.332 million. Hexima recorded a loss of \$1.581 million for the six months ended 31 December 2012. This compares favourably to the loss of \$2.857million for the previous corresponding period, again due to the tax credit as \$1.094 million has been accrued for the 6 months to date. Excluding the tax credit for the period in question, revenue of \$0.255 million compares to \$0.322 million for the prior corresponding period. Operating expenditure decreased by \$0.429 million to \$3.159 million compared to the six months ended 31 December 2011. Net finance income for the six months ended 31 December 2012 was \$0.230 million compared with \$0.409 million for the previous corresponding period. This result reflects the lower funds on term deposit and lower interest rates.

Operations

The Company's technology programs are progressing well, with the production of transgenic corn plants running at full capacity to accommodate the testing of the new antifungal proteins and combinations of antifungal molecules identified by the Company's gene discovery team. Bioassays of transgenic plants in the glasshouse are testing the effectiveness of the Company's anti-fungal proteins against several corn diseases.

The Company has generated transgenic corn, cotton and canola plants, using its proprietary MGEV enabling technology to produce several antifungal or insecticidal proteins from one gene construct. The MGEV technology will play a central role in the development of products for sustainable protection against a broad range of pests and pathogens.

DIRECTORS' REPORT

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

The Lead Auditor's Independence Declaration is set out on page 20 and forms part of the Directors' Report for the six months ended 31 December 2012.

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



Mr Ross Dobinson
Director



Mr Steven M Skala
Director

Dated this 22nd day of February 2013

HEXIMA LIMITED
ABN 64 079 319 314

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

	Consolidated	
	31 Dec	31 Dec
	2012	2011
	\$	\$
Revenue	<u>1,348,802</u>	<u>322,208</u>
Research & development expenditure	(2,018,792)	(2,399,368)
Patent expense	(163,141)	(126,236)
Field trial expense	(56,581)	(14,044)
Marketing & development expense	(127,925)	(156,684)
Employee benefits expense	(520,195)	(630,576)
Depreciation expense	(118,810)	(116,401)
Other expenses	<u>(154,121)</u>	<u>(144,966)</u>
	(3,159,565)	(3,588,275)
Results from operating activities	<u>(1,810,763)</u>	<u>(3,266,067)</u>
Financial income	<u>229,831</u>	<u>409,340</u>
Net financing income	<u>229,831</u>	<u>409,340</u>
Loss before income tax	<u>(1,580,932)</u>	<u>(2,856,727)</u>
Income tax expense	<u>-</u>	<u>-</u>
Loss for the period	<u>(1,580,932)</u>	<u>(2,856,727)</u>
Other comprehensive income for the period, net of income tax	<u>-</u>	<u>-</u>
Total comprehensive (loss) for the period	<u>(1,580,932)</u>	<u>(2,856,727)</u>
Loss attributable to:		
Owners of the Company	<u>(1,580,932)</u>	<u>(2,856,727)</u>
Loss for the period	<u>(1,580,932)</u>	<u>(2,856,727)</u>
Total comprehensive loss attributable to:		
Owners of the Company	<u>(1,580,932)</u>	<u>(2,856,727)</u>
Total comprehensive loss for the period	<u>(1,580,932)</u>	<u>(2,856,727)</u>

The accompanying notes form part of these interim financial statements

HEXIMA LIMITED
ABN 64 079 319 314

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Consolidated	
	Notes	31 Dec 2012 \$	30 June 2012 \$
CURRENT ASSETS			
Cash and cash equivalents		9,648,055	9,789,777
Receivables		<u>1,624,398</u>	<u>2,640,240</u>
TOTAL CURRENT ASSETS		<u>11,272,453</u>	<u>12,430,017</u>
NON-CURRENT ASSETS			
Plant and equipment		<u>2,695,765</u>	<u>2,810,620</u>
TOTAL NON-CURRENT ASSETS		<u>2,695,765</u>	<u>2,810,620</u>
TOTAL ASSETS		<u>13,968,218</u>	<u>15,240,637</u>
CURRENT LIABILITIES			
Trade and other payables		1,429,238	1,143,438
Employee benefits		<u>57,869</u>	<u>57,267</u>
TOTAL CURRENT LIABILITIES		<u>1,487,107</u>	<u>1,200,705</u>
TOTAL LIABILITIES		<u>1,487,107</u>	<u>1,200,705</u>
NET ASSETS		<u>12,481,111</u>	<u>14,039,932</u>
EQUITY			
Issued capital	8	57,659,830	57,659,830
Reserves		1,041,594	1,019,484
Accumulated losses		<u>(46,220,313)</u>	<u>(44,639,382)</u>
TOTAL EQUITY		<u>12,481,111</u>	<u>14,039,932</u>

The accompanying notes form part of these interim financial statements

HEXIMA LIMITED
ABN 64 079 319 314

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>For the six months ended 31 December 2012</i>	Note	Ordinary Shares \$	Equity option reserve \$	Equity compensation reserve \$	Accumulated Losses \$	Total equity \$
2012						
Opening balance at 1 July 2012		57,659,830	200,000	819,484	(44,639,381)	14,039,933
Total comprehensive (loss) for the period						
Net (loss) for the period		-	-	-	(1,580,932)	(1,580,932)
Total comprehensive (loss) for the period		-	-	-	(1,580,932)	(1,580,932)
Transactions with owners, recorded directly in equity						
Equity settled share based transactions	8	-	-	22,110	-	22,110
Total transaction with owners				22,110	-	22,110
Balance at 31 December 2012		57,659,830	200,000	841,594	(46,220,313)	12,481,111
<i>For the six months ended 31 December 2011</i>	Note	Ordinary Shares \$	Equity option reserve \$	Equity compensation reserve \$	Accumulated Losses \$	Total equity \$
2011						
Opening balance at 1 July 2011		57,659,830	200,000	744,182	(41,433,811)	17,170,201
Total comprehensive (loss) for the period						
Net (loss) for the period		-	-	-	(2,856,727)	(2,856,727)
Total comprehensive (loss) for the period		-	-	-	(2,856,727)	(2,856,727)
Transactions with owners, recorded directly in equity						
Equity settled share based transactions	8	-	-	30,121	-	30,121
Total transaction with owners		-	-	30,121	-	30,121
Balance at 31 December 2011		57,659,830	200,000	774,303	(44,290,538)	14,343,595

The accompanying notes form part of these interim financial statements

HEXIMA LIMITED
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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

	Consolidated	
	31 Dec 2012	31 Dec 2011
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from government grants & collaboration agreements	2,794,560	332,708
Cash paid to suppliers and employees	(3,179,902)	(3,649,974)
	<u>(385,342)</u>	<u>(3,317,266)</u>
Net cash (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	247,573	473,868
Payments for property, plant and equipment	(3,953)	(81,033)
	<u>243,620</u>	<u>392,835</u>
Net cash from investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash from financing activities	<u>-</u>	<u>-</u>
Net increase / (decrease) in cash and cash equivalents	(141,722)	(2,924,431)
Cash and cash equivalents at 1 July	9,789,777	15,314,971
	<u>9,648,055</u>	<u>12,390,540</u>
Cash and cash equivalents at 31 December		

The accompanying notes form part of these interim financial statements

Notes to the consolidated interim financial statements for the six months ended 31 December 2012

1. REPORTING ENTITY

Hexima Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Level 1, 379 Collins Street, Melbourne, Victoria, 3000. Hexima is an agribusiness company actively engaged in the research and development of technology for the protection and enhancement of commercial crops, primarily to enhance their resistance to insects and fungal pathogens.

The interim consolidated financial statement as at and for the six months ended 31 December 2012 comprises the Company and its subsidiaries (together referred to as the consolidated entity).

The consolidated annual financial report of the Group as at and for the year ended 30 June 2012 is available upon request from the Company's registered office at Level 1, 379 Collins Street, Melbourne Victoria 3000 or at www.hexima.com.au.

2. STATEMENT OF COMPLIANCE

The consolidated interim financial report has been prepared in accordance with *AASB 134 Interim Financial Reporting* and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the annual consolidated financial report of the consolidated entity as at and for the year ended 30 June 2012.

The consolidated interim financial report was approved by the Board of Directors on 22 February 2013.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the consolidated entity in these consolidated interim financial statements are the same as those applied by the consolidated entity in its consolidated annual financial statements as at and for the year ended 30 June 2012.

Notes to the consolidated interim financial statements for the six months ended 31 December 2012

4. ESTIMATES

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report as at and for the year ended 30 June 2012.

5. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with that disclosed in the financial report as at and for the year ended 30 June 2012.

6. SEGMENT REPORTING

The Company primarily operates in one sector, being the agricultural biotechnology industry developing and/or commercialising agricultural biotechnology research. The majority of operations are in Australia.

7. PLANT AND EQUIPMENT

Acquisitions

During the six month period ended 31 December 2012, the consolidated entity acquired assets with a cost of \$3,953. This related to items within the Glasshouse.

There were no disposals in the six month period ended 31 December 2012.

8. CAPITAL AND RESERVES

Ordinary Shares	Number of Shares	Amount Paid \$
On issue at 1 July 2012	81,101,470	57,659,830
On issue at 31 December 2012 – fully paid	81,101,470	57,659,830

Notes to the consolidated interim financial statements for the six months ended 31 December 2012

8. CAPITAL AND RESERVES (continued)

Ordinary Shares	Number of Shares	Amount Paid \$
On issue at 1 July 2011	81,067,470	57,659,830
On issue at 31 December 2011 – fully paid	81,067,470	57,659,830

	Number of options		Amount Paid	
	2012	2011	2012 \$	2011 \$
Equity option reserve				
On issue at 1 July	-	1,600,000	200,000	200,000
Issued during period at \$1.00 exercise price	125,000	-	-	-
On issue at 31 December	125,000	1,600,000	200,000	200,000

	Number of options		Amount Paid	
	2012	2011	2012 \$	2011 \$
Equity compensation reserve				
On issue at 1 July	1,090,000	1,124,000	819,484	744,182
Issued as compensation ⁽¹⁾	-	-	22,110	30,121
On issue at 31 December	1,090,000	1,124,000	841,594	774,303
Total Reserve at 31 December	1,215,000	2,724,000	1,041,594	974,182

No options were exercised for the six months ended 31 December 2012.

The Company does not have authorised capital or par value in respect of its issued shares. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

⁽¹⁾ Represents the non-cash amortisation of options over the vesting period.

Notes to the consolidated interim financial statements for the six months ended 31 December 2012

8. CAPITAL AND RESERVES (continued)

Equity Compensation Reserve

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

Equity Option Reserve

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

Terms and conditions of share options

Expiry Date	Exercise Price	Number of Share Options
16 May 2013	\$0.00	90,000
30 August 2015	\$1.00	125,000
19 November 2019	\$0.50	1,000,000
		1,215,000

9. CONTINGENCIES

Guarantee and Indemnification

The consolidated entity (in prior years) had an Institutional Biosafety Committee (IBC) to advise on certain aspects of the Company's field trial applications. The Company has agreed to indemnify, release and forever discharge the members of the IBC from and against any claim or liability, incurred by the members, arising in connection with the conduct of field trials and related applications being undertaken by the Company. The financial exposure from this arrangement is expected to be nil.

Notes to the consolidated interim financial statements for the six months ended 31 December 2012

10. SHARE BASED PAYMENTS

The terms and conditions of the grants are as follows. All options are to be settled by physical delivery of shares.

Grant date / parties entitled	Number of instruments	Vesting conditions	Contractual life of options
Options granted to employees on 16 May 2008	90,000	Past services, immediate vesting	5 years
Options granted to key management (Executive Chairman) on 1 December 2010	1,000,000	Four tranches of 250,000 options vesting 15 November 2011 15 November 2012 15 November 2013 15 November 2014	8 years
Options granted to 3 rd party for R&D collaboration on 30 August 2012	125,000	Past services, immediate vesting	3 years
Total share options	1,215,000		

125,000 share options were granted during the six months ended 31 December 2012

Notes to the consolidated interim financial statements for the six months ended 31 December 2012

11. RELATED PARTIES

Share Options

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

2012	Held at 1 July 2012	Granted as compen- sation	Exercised	Expired	Held at 31 December 2012	Vested during the period	Vested and exercisable at 31 December 2012
Directors							
Ross Dobinson	1,000,000	-	-	-	1,000,000	250,000	500,000
	1,000,000	-	-	-	1,000,000	250,000	500,000
<hr/>							
2011	Held at 1 July 2011	Granted as compen- sation	Exercised	Expired	Held at 31 December 2011	Vested during the year	Vested and exercisable at 31 December 2011
Directors							
Ross Dobinson	1,000,000	-	-	-	1,000,000	250,000	250,000
Executives							
Justine C Heath	20,000	-	-	-	20,000	-	20,000
	1,020,000	-	-	-	1,020,000	250,000	270,000

Notes to the consolidated interim financial statements for the six months ended 31 December 2012

11. RELATED PARTIES (continued)

Movement in shares

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

2012	Held at 1 July 2012	Purchases	Received on exercise of options	Sales	Held at 31 December 2012
Directors					
Ross Dobinson	-	-	-	-	-
Steven M Skala	4,167,467	-	-	-	4,167,467
Jonathan West	2,000,000	-	-	-	2,000,000
Hugh M Morgan	6,454,503	-	-	-	6,454,503
Marilyn A Anderson	2,381,935	-	-	-	2,381,935
	15,003,905	-	-	-	15,003,905

2011	Held at 1 July 2011	Purchases	Received on exercise of options	Sales	Held at 31 December 2011
Directors					
Ross Dobinson	-	-	-	-	-
Steven M Skala	4,167,467	-	-	-	4,167,467
Jonathan West	2,000,000	-	-	-	2,000,000
Hugh M Morgan	6,454,503	-	-	-	6,454,503
Marilyn A Anderson	2,381,935	-	-	-	2,381,935
Executives					
Robyn L Heath	2,381,935	-	-	-	2,381,935
	17,385,840	-	-	-	17,385,840

*Dr Robyn Heath resigned effective 31st December 2011

Notes to the consolidated interim financial statements for the six months ended 31 December 2012

11. RELATED PARTIES (continued)

Other related parties

Other key management personnel disclosures with the Company

a) Professor Anderson is an employee of La Trobe University. During the course of the six months ended 31 December 2012, amounts (including GST) totalling \$2,983,367 (Dec 2011: \$2,289,020) were paid or payable by Hexima to La Trobe University for research work carried out on behalf of the Company. These transactions were conducted on normal commercial terms. Trade accounts and/or accruals payable to La Trobe University at 31 December 2012 were \$976,682 (Dec 2011: \$701,547).

12. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Consolidated	
	2012	2011
	\$	\$
Less than one year	84,777	85,707
Between one and five years	45,049	65,067
	<u>129,825</u>	<u>150,773</u>

The consolidated entity leases office premises and land which houses the glass house under an operating lease. The glasshouse which has a written down book value of \$2,026,934 at 31 December 2012 has been built on leased land. The lease rental on the land is at \$10 per annum and this lease expires on 10 December 2018 with an extension, at the Company's option, of 10 years.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Hexima Limited ("the Company"):
- (a) the financial statements and notes, set out on pages 5 to 16, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the six month period ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Melbourne 22nd day of February 2013.

Signed in accordance with a resolution of the Directors:



Mr Ross Dobinson
Director



Mr Steven M Skala
Director



Independent auditor's review report to the members of Hexima Limited

Report on the financial report

We have reviewed the accompanying interim financial report of Hexima Limited ("the Company"), which comprises the interim consolidated statement of financial position as at 31 December 2012, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the interim period ended on that date, notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the interim period.

Directors' responsibility for the interim financial report

The directors of the Company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Hexima Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Hexima Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

Gordon Sangster
Partner

Melbourne
22 February 2013



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Hexima Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the six month period ended 31 December 2012 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Gordon Sangster
Partner

Melbourne
22 February 2013