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HEXIMA LIMITED
ABN 64 079 319 314

INTERIM FINANCIAL REPORT

For the six months ended

31 December 2007

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HEXIMA LIMITED
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DIRECTORS' REPORT

The Directors present their report of Hexima Limited ("the Company") for the six months ended 31 December 2007 and the auditor's review thereon.

DIRECTORS

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

Non-executive

| | | |
|-------------------------|------------------------|---------------------|
| Mr Steven M Skala | Chairman | Director since 2002 |
| Mr Hugh M Morgan AC | Non-executive Director | Director since 2007 |
| Professor Jonathan West | Non-executive Director | Director since 2005 |

Executive

| | | |
|--------------------------------|---|---------------------|
| Professor Adrienne E Clarke AC | Deputy Chairman, Chief Science Officer | Director since 2001 |
| Mr G F Dan O'Brien | Managing Director | Director since 2002 |

REVIEW OF OPERATIONS

Financial

Hexima successfully completed an Initial Public Offering, raising \$40 million prior to expenses, and listed on the ASX in August 2007.

The Company recorded a loss of \$2.312 million for the six months ended 31 December 2007, compared with a loss of \$9.762 million for the previous corresponding period.

Excluding net finance expense and income tax expense, the loss from operating activities for the six months was \$2.580 million, compared with \$1.292 million for the previous corresponding period.

This resulted from a general increase in expenditure, reflecting the expansion of the Company's activities in researching, developing and commercialising its technologies, as well as the expenses of establishing the administrative capacity for a listed company, only partially offset by an increase in revenue from collaborations and government grants.

Net finance income for the six months ended 31 December 2007 was \$1.055 million compared with a net loss of \$8.470 million for the previous corresponding period. The finance income earned in the current period reflects the interest earned on the capital raised in the Initial Public Offering. Included in the previous corresponding period was finance expense of \$8.484 million, which was largely attributable to a non-cash accounting entry required to be made in accordance with AIFRS to reflect the net fair value adjustment on a converting note derivative.

Income tax expense of \$0.788 million was incurred in the six months ended 31 December 2007, representing the temporary timing difference related to the transaction costs on the issue of share capital. No deferred tax asset was recognised as it is not certain that future taxable profit will be available against which the Company can utilise the benefits therefrom.

Operations

The most significant achievement for the period was the completion of our \$40 million Initial Public Offering in August 2007, which has given Hexima the capital to implement its strategy to seek to commercialise the Company's technologies.

DIRECTORS' REPORT

In addition to this undertaking, Hexima has made important progress in developing key commercial relationships and has achieved a number of milestones in relation to its key technologies, as well as developing its technology pipeline and researching new applications for existing technologies.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of Directors the following significant changes in the state of affairs of the Company occurred during the six months under review:

Initial Public Offering

To raise \$40,000,000 prior to expenses, the Company issued a Prospectus ("the Prospectus") for the offer of 32,000,000 shares at \$1.25 per share on 6 July 2007. The offer was fully subscribed and trading of the shares on the Australian Stock Exchange (ASX) commenced on 27 August 2007.

Conversion of Converting Notes

The Company had 2,827,897 Converting Notes on issue as at 30 June 2007, classified as a liability in the Company's balance sheet. As the Company listed on the Australian Stock Exchange on 27 August 2007 at a value of \$1.25 per share, a Liquidity Event as defined in the Converting Note Commitment Agreement occurred. At this time the Converting Notes converted to 9,049,277 fully paid ordinary shares.

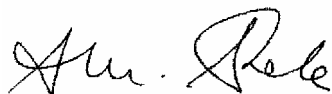
Issued Capital Post-IPO

| | Number of Shares | Amount Paid \$ |
|---|-----------------------------|---------------------------|
| On issue at 1 July 2007 | 33,224,006 | 2,361,456 |
| Issued on conversion of converting notes 27 August 2007 | 9,049,277 | 11,311,597 |
| Issued for cash – IPO 27 August 2007 | 32,000,000 | 40,000,000 |
| On issue at 27 August 2007 | <u>74,273,283</u> | <u>53,673,053</u> |
| Less: transaction costs (net of tax) | n/a | (1,838,574) |
| Total | <u>74,273,283</u> | <u>51,834,479</u> |

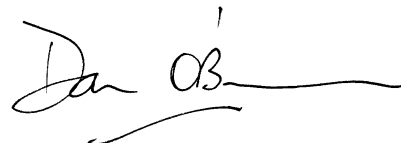
LEAD AUDITORS' INDEPENDENCE DECLARATION UNDER SECTION 370C OF THE CORPORATIONS ACT 2001

The Lead Auditor's Independence Declaration is set out on page 5 and forms part of the Directors' Report for the six months ended 31 December 2007.

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



Mr Steven M Skala
Director



Mr GF Dan O'Brien
Director

Dated this 20th day of February



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 2007 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

KPMG

Ralph M Ferguson
Partner

Melbourne

20th February, 2008

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HEXIMA LIMITED
ABN 64 079 319 314

INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2007

| | Notes | 31 Dec 2007 \$ | 31 Dec 2006 \$ |
|---|-------|---------------------------|---------------------------|
| Revenue | | <u>461,086</u> | <u>228,698</u> |
| Research & development expenditure | | (1,120,235) | (711,602) |
| Patent expense | | (213,498) | (129,203) |
| Field trial expense | | (75,875) | (89,268) |
| Marketing & development expense | | (255,332) | (52,643) |
| Employee benefits expense | | (877,296) | (459,870) |
| Depreciation expense | | (9,146) | (2,485) |
| Other expenses | | <u>(489,434)</u> | <u>(75,765)</u> |
| | | <u>(3,040,816)</u> | <u>(1,520,836)</u> |
| Results from operating activities | | (2,579,730) | (1,292,138) |
| Financial income | | 1,055,354 | 13,556 |
| Financial expense | | - | (8,483,700) |
| Net financing (costs)/income | | 1,055,354 | (8,470,144) |
| Loss before income tax | | (1,524,376) | (9,762,282) |
| Income tax expense | 7 | (787,960) | - |
| Loss for the period | | <u>(2,312,336)</u> | <u>(9,762,282)</u> |
| Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company: | | | |
| Basic earnings/(loss) per share | | (0.038) | (0.386) |
| Diluted earnings/(loss) per share | | (0.038) | (0.386) |

The accompanying notes form part of these interim financial statements

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HEXIMA LIMITED
ABN 64 079 319 314

INTERIM BALANCE SHEET
AS AT 31 DECEMBER 2007

| | Notes | 31 Dec 2007 \$ | 30 June 2007 \$ |
|--------------------------------------|-------|----------------------|-----------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 36,903,862 | 2,833,360 |
| Receivables | | 817,736 | 134,221 |
| TOTAL CURRENT ASSETS | | <u>37,721,598</u> | <u>2,967,581</u> |
| NON-CURRENT ASSETS | | | |
| Investments | | 2 | 2 |
| Property, plant and equipment | | 85,604 | 82,410 |
| TOTAL NON-CURRENT ASSETS | | <u>85,606</u> | <u>82,412</u> |
| TOTAL ASSETS | | <u>37,807,204</u> | <u>3,049,993</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 1,146,644 | 1,871,107 |
| Loans and borrowings | 8 | - | 11,479,013 |
| Deferred income | | 600,000 | 600,000 |
| TOTAL CURRENT LIABILITIES | | <u>1,746,644</u> | <u>13,950,120</u> |
| NON-CURRENT LIABILITIES | | | |
| Deferred income | | 1,000,000 | 1,200,000 |
| TOTAL NON-CURRENT LIABILITIES | | <u>1,000,000</u> | <u>1,200,000</u> |
| TOTAL LIABILITIES | | <u>2,746,644</u> | <u>15,150,120</u> |
| NET (DEFICIENCY)/ASSETS | | <u>35,060,560</u> | <u>(12,100,127)</u> |
| EQUITY | | | |
| Issued capital | 9 | 51,834,479 | 2,361,456 |
| Reserves | 9 | 212,000 | 212,000 |
| Accumulated losses | | (16,985,919) | (14,673,583) |
| TOTAL (DEFICIENCY)/EQUITY | | <u>35,060,560</u> | <u>(12,100,127)</u> |

The accompanying notes form part of these interim financial statements

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HEXIMA LIMITED
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INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2007

| Note | Ordinary Shares \$ | Equity option reserve \$ | Equity compen- sation reserve \$ | Accumulated Losses \$ | Total equity \$ |
|--|--------------------------|-----------------------------------|--|-----------------------------|--------------------|
| 2007 | | | | | |
| Opening balance at 1 July 2007 | 2,361,456 | 200,000 | 12,000 | (14,673,583) | (12,100,127) |
| Net profit/(loss) for the period | - | - | - | (2,312,336) | (2,312,336) |
| Total recognised income and expense for the period | - | - | - | (2,312,336) | (2,312,336) |
| Issue of ordinary shares, 27 August 2007 | | | | | |
| - on conversion of converting notes | 9 11,311,597 | - | - | - | 11,311,597 |
| - for cash on Initial Public Offering | 9 40,000,000 | - | - | - | 40,000,000 |
| Less: Transaction costs, net of tax | 9 (1,838,574) | - | - | - | (1,838,574) |
| Closing balance at 31 December 2007 | <u>51,834,479</u> | <u>200,000</u> | <u>12,000</u> | <u>(16,985,919)</u> | <u>35,060,560</u> |

| Note | Ordinary Shares \$ | Equity option reserve \$ | Equity compen- sation reserve \$ | Accumulated Losses \$ | Total equity \$ |
|--|--------------------------|-----------------------------------|--|-----------------------------|---------------------|
| 2006 | | | | | |
| Opening balance at 1 July 2006 | 2,095,609 | - | 12,000 | (3,306,553) | (1,198,944) |
| Net profit/(loss) for the period | - | - | - | (9,762,282) | (9,762,282) |
| Total recognised income and expense for the period | - | - | - | (9,762,282) | (9,762,282) |
| Issue of ordinary shares | 9 265,847 | - | - | - | 265,847 |
| Closing balance at 31 December 2006 | <u>2,361,456</u> | <u>-</u> | <u>12,000</u> | <u>(13,068,835)</u> | <u>(10,695,379)</u> |

Amounts are stated net of tax.

The accompanying notes form part of these interim financial statements

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HEXIMA LIMITED
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INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2007

| | Notes | 31 Dec 2007 \$ | 31 Dec 2006 \$ |
|---|-------|--------------------------|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash receipts from government grants & collaboration agreements | | 121,505 | 76,407 |
| Cash paid to suppliers and employees | | (3,669,808) | (1,018,744) |
| Cash receipts from research & development tax concession | | - | 324,655 |
| Net cash from / (used in) operating activities | | <u>(3,548,303)</u> | <u>(617,682)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received | | 489,248 | 13,556 |
| Payments for property, plant and equipment | | (76,493) | (3,618) |
| Net cash from / (used in) investing activities | | <u>412,755</u> | <u>9,938</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of converting notes | | - | 858,050 |
| Proceeds from issue of share capital | 9 | 40,000,000 | 265,847 |
| Transaction costs on issue of share capital | | (2,626,534) | - |
| Repayment of loan | | (167,416) | - |
| Net cash from financing activities | | <u>37,206,050</u> | <u>1,123,897</u> |
| Net increase in cash and cash equivalents | | 34,070,502 | 516,153 |
| Cash and cash equivalents at 1 July | | <u>2,833,360</u> | <u>992,054</u> |
| Cash and cash equivalents at 31 December | | <u><u>36,903,862</u></u> | <u><u>1,508,207</u></u> |

The accompanying notes form part of these interim financial statements

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HEXIMA LIMITED
ABN 64 079 319 314

Notes to the interim financial statements for the six months ended 31 December 2007

1. REPORTING ENTITY

Hexima Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Level 5, 114 William 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 financial statements of Hexima Limited, the Company, are also to be read as the consolidated entity as the Company interim financial statements do not differ materially to the consolidated entity.

2. STATEMENT OF COMPLIANCE

The interim financial report is a general purpose financial report which has been prepared in accordance with *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*.

The 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 financial report of the Company as at and for the year ended 30 June 2007.

The interim financial report is presented in Australian dollars and is prepared on the historical cost basis.

The interim financial report was approved by the Board of Directors on 20 February 2008.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Company in this interim financial report are the same as those applied by the Company in its financial report as at and for the year ended 30 June 2007.

The following standards and interpretations have been adopted as they are applicable for periods beginning on or after 1 July 2007:

- AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments

There was no impact on the Company on adoption of the above.

4. ESTIMATES

The preparation of an 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 2007.

Notes to the interim financial statements for the six months ended 31 December 2007

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 2007.

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. INCOME TAX EXPENSE

During the six months ended 31 December 2007, a deferred tax asset of \$787,960 relating to the transaction costs incurred on the issue of share capital was initially recognised as a deferred tax asset to be utilised against future taxable profits. However, as it is not yet probable that future taxable profit will be available against which the Company can utilise the benefits therefrom, the asset has been written down to \$NIL.

8. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Company's loans and borrowings.

| | 31 Dec 2007 | 30 June 2007 |
|--------------------|------------------------|-------------------------|
| | \$ | \$ |
| Non current | | |
| Loan from UMEE Ltd | - | 167,416 |
| Converting notes | - | 11,311,597 |
| | <u>-</u> | <u>11,479,013</u> |

Loan from UMEE Ltd

UMEE Ltd (formerly Melbourne University Private Ltd), a wholly owned subsidiary of The University of Melbourne, advanced an interest free loan of \$167,416 to the Company on an unsecured basis. With the successful completion of the Initial Public Offering on 27 August 2007, the loan was repaid in full during the six months ended 31 December 2007.

HEXIMA LIMITED
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Notes to the interim financial statements for the six months ended 31 December 2007

8. LOANS AND BORROWINGS (continued)

| Converting Notes | Note | 31 Dec 2007 \$ | 30 June 2007 \$ |
|--|------|----------------------|-----------------------|
| Opening balance * | | 11,311,597 | 2,577,897 |
| Conversion of converting notes to ordinary shares on Initial Public Offering | | (11,311,597) | - |
| Proceeds from issue of converting notes to shareholders | | - | - |
| Net fair value adjustment on converting note derivative | | - | 8,483,700 |
| Issued as cash-settled share based payment | | - | 250,000 |
| Carrying amount of liability at end of period | | <u>-</u> | <u>11,311,597</u> |
| Number of instruments on issue | | - | 2,827,897 |

* In June 2005 shareholders were invited to subscribe, pro-rata to their existing shareholding in the company, for Converting Notes with a Face Value of \$3,000,000. Subsequent to the offer to shareholders, subscriptions were received for \$2,577,897. The Converting Notes were issued partly paid and all instalments were received at 31 December 2006. In December 2006 Converting Notes with a Face Value of \$250,000 were issued as compensation, taking the total number of Converting Note instruments on issue at 31 December 2006 to 2,827,897.

These Converting Notes were non-redeemable and converted to ordinary shares at the earlier of the achievement of the Liquidity Event as defined in the Converting Note Commitment Agreement or 31 December 2009. The conversion price was set as the greater of 25% of the value of the ordinary shares at the time of the Liquidity Event or 5c per share.

The Company completed a capital raising issuing shares via a Prospectus dated 6 July 2007 at \$1.25 per share. The offer closed on 10 August 2007 and the Company listed on the Australian Stock Exchange on 27 August 2007. The capital raising was a Liquidity Event as defined in the Converting Note Commitment Agreement. Upon successful completion of the issue, the 2,827,897 Converting Notes converted to 9,049,277 fully paid ordinary shares.

9. CAPITAL & RESERVES

| | Number of Shares | | Amount Paid | |
|---|------------------|----------------|----------------------|----------------------|
| | 31 Dec 2007 | 31 Dec 2006 | 31 Dec 2007 \$ | 31 Dec 2006 \$ |
| Ordinary Shares | | | | |
| On issue at 1 July | 33,224,006 | 25,047,905 | 2,361,456 | 2,095,609 |
| Issued at no cost | - | 30,500 | - | - |
| Issued for cash | 32,000,000 | 7,595,601 | 40,000,000 | 265,847 |
| Transaction costs, net of tax | - | - | (1,838,574) | - |
| Conversion of converting notes | 9,049,277 | - | 11,311,597 | - |
| Exercise of share options | - | 550,000 | - | - |
| On issue at 31 December – fully paid | 74,273,283 | 33,224,006 | 51,834,479 | 2,361,456 |

HEXIMA LIMITED
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Notes to the interim financial statements for the six months ended 31 December 2007

9. CAPITAL & RESERVES (continued)

| Share options | 31 Dec 2007 | 31 Dec 2006 | 31 Dec 2007 \$ | 31 Dec 2006 \$ |
|---|----------------|----------------|----------------------|----------------------|
| On issue at 1 July | 8,755,895 | 6,355,895 | 212,000 | 12,000 |
| Issued as compensation | - | - | - | - |
| Issued for consideration | - | - | - | - |
| Exercise of share options | - | - | - | - |
| On issue at 31 December – fully paid | 8,755,895 | 6,355,895 | 212,000 | 12,000 |

Terms and conditions of share options

| Expiry Date | Exercise Price | Number of Share Options |
|------------------|----------------|----------------------------|
| 31 December 2009 | \$0.50 | 5,272,733 |
| 31 December 2009 | \$0.31 | 928,425 |
| 31 December 2009 | \$0.16 | 154,737 |
| 30 June 2010 | \$2.00 | 800,000 |
| 30 June 2012 | \$2.00 | 1,600,000 |
| | | 8,755,895 |

10. CONTINGENCIES

Guarantee and Indemnification

During the period the Company 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.

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Notes to the interim financial statements for the six months ended 31 December 2007

11. SHARE BASED PAYMENTS

The Company established an Employee Share Option Plan during the half year ended 31 December 2007 that entitles key management personnel and certain employees to purchase shares in the Company. There were no grants made under the Plan during the six months ended 31 December 2007.

12. RELATED PARTIES

Transactions with related parties

- a) Professor Clarke is associated with the University of Melbourne. During the course of the six months ended 31 December 2007, amounts (including GST) totaling \$597,666 (Dec 2006: \$507,762) were paid or payable by Hexima to The University of Melbourne for research work carried out on behalf of Hexima. These transactions were conducted on normal commercial terms. Trade accounts and/or accruals payable to The University of Melbourne at 31 December 2007 were \$595,776 (Dec 2006: \$507,762).
- b) Mr O'Brien is the sole director of Dromoland Capital Pty Limited. An amount (including GST) of \$417,891 (Dec 2006: \$73,300) was paid or provided to be paid to this entity during the six months ended 31 December 2007 for services provided to Hexima. These transactions were conducted on normal commercial terms. This amount includes \$330,000 for the provision of Mr O'Brien's services as Managing Director of the Company, \$32,780 for the provision of office space and secretarial, administration, taxation and accounting services, \$49,373 direct reimbursement for the provision of consulting services (including preparation of the Initial Public Offering documentation and preparation and submission of applications and ongoing administration of government grants) at no margin and \$5,738 direct reimbursement of identifiable expenses incurred on the Company's behalf at no margin. Trade accounts and/or accruals payable to Dromoland Capital Pty Limited at 31 December 2007 were \$NIL (Dec 2006: \$33,258). Following the listing of the Company and the development of its administration capacity, expenses are increasingly being incurred directly by the Company, rather than by Dromoland on Hexima's behalf.

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Notes to the interim financial statements for the six months ended 31 December 2007

12. RELATED PARTIES (continued)

- c) Mr O'Brien is the sole director of Leslie Manor Pty Limited ("Leslie Manor"). An amount (including GST) of \$8,568 (Dec 2006: \$2,051) was paid to this entity during the six months ended 31 December 2007. The Company reimbursed Leslie Manor, at no margin, for the lease of a motorbike used in conducting the Company's field trials. The Company purchased the motorbike from Leslie Manor during the six months ended 31 December 2007.
- d) Mr Skala is a consultant to Arnold Bloch Leibler. Mr Skala retired as a partner of Arnold Bloch Leibler in 2004. An amount (including GST) of \$85,490 (Dec 2006: \$32,685) was paid to Arnold Bloch Leibler during the six months ended 31 December 2007 for legal services (and expenses associated therewith) provided to Hexima. These services were provided and expenses incurred on normal commercial terms. Trade accounts and/or accruals payable to Arnold Bloch Leibler at 31 December 2007 were \$9,164 (2006: \$NIL).
- e) Mr Skala is a director of Wilson HTM Investment Group Limited, who underwrote the capital raising completed in August 2007. These services were provided on normal commercial terms. , Underwriting fees of \$2,570,000 and expense reimbursement of \$14,152 were paid to Wilson HTM Investment Group during the six months ended 31 December 2007 (2006: \$NIL). Trade accounts and/or accruals payable to Wilson HTM Investment Group Limited at 31 December 2007 were \$NIL (2006: \$NIL).

Share Options

There were no share options granted to or exercised by key management personnel during the six months ended 31 December 2007.

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

| 2007 | Held at 1 July 2007 | Purchases | Received on conversion of converting notes | Received on exercise of options | Sales | Held at 31 December 2007 |
|----------------------|------------------------|-----------|---|---------------------------------------|-------|--------------------------------|
| Non-executive | | | | | | |
| Steven M Skala | 2,892,730 | 160,000 | 960,000 | - | - | 4,012,730 |
| Jonathan West | 491,702 | 160,000 | 960,000 | - | - | 1,611,702 |
| Hugh M Morgan | 4,354,503 | 500,000 | 1,600,000 | - | - | 6,454,503 |
| Executive | | | | | | |
| Adrienne E Clarke | 4,525,026 | 160,000 | 732,893 | - | - | 5,417,919 |
| GF Dan O'Brien | 2,924,768 | 160,000 | 1,760,000 | - | - | 4,844,768 |
| | 15,188,729 | 1,140,000 | 6,012,893 | - | - | 22,341,622 |

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Notes to the interim financial statements for the six months ended 31 December 2007

12. RELATED PARTIES (continued)

| 2006 | Held at 1 July 2006 | Purchases | Received on exercise of options | Sales | Held at 31 December 2006 |
|----------------------|------------------------|-----------|---------------------------------------|-------|--------------------------------|
| Non-executive | | | | | |
| Steven M Skala | 1,909,093 | 983,637 | - | - | 2,892,730 |
| Jonathan West | - | 491,702 | - | - | 491,702 |
| Hugh M Morgan | 3,015,152 | 1,339,351 | - | - | 4,354,503 |
| Executive | | | | | |
| Adrienne E Clarke | 3,906,179 | 618,847 | - | - | 4,525,026 |
| GF Dan O'Brien | 1,909,093 | 1,015,675 | - | - | 2,924,768 |
| | 10,739,517 | 4,449,212 | - | - | 15,188,729 |

13. EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between 31 December 2007 and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the entity, the results of those operations or the state of affairs of the entity in future financial years.

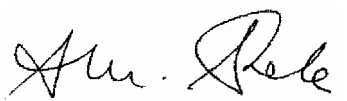
DIRECTORS' DECLARATION

1. In the opinion of the Directors of Hexima Limited ("the Company"):

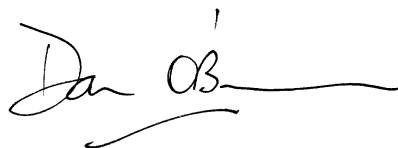
- (a) the financial statements and notes, set out on pages 1 to 16, are in accordance with the Corporations Act 2001, including:
- (i) giving a true and fair view of the financial position of the Company as at 31 December 2007 and of its performance, as represented by the results of its operations and its cash flows, for the half year 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, 20th day of February 2007.

Signed in accordance with a resolution of the Directors:



Mr Steven M Skala
Director



Mr GF Dan O'Brien
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, which comprises the interim income statement for the interim period ended 31 December 2007, balance sheet as at 31 December 2007, statement of changes in equity and cash flow statement for the interim period ended on that date, a statement of accounting policies and other explanatory notes 1 to 13 and the directors' declaration set out on pages 6 to 17.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 an Interim 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 Company's financial position as at 31 December 2007 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.

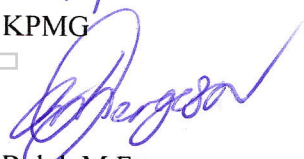
A review of a interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards 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.

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 Company's financial position as at 31 December 2007 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
KPMG


Ralph M Ferguson
Partner

Melbourne

20th February, 2008