



HEXIMA LIMITED
ABN 64 079 319 314

INTERIM CONSOLIDATED FINANCIAL REPORT

For the six months ended

31 December 2016

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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 2016 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

Professor Marilyn Anderson AO	Executive Director/Chief Science Officer	Director since 23 November 2010
Dr Nicole van der Weerden	Executive Director/Chief Executive Officer	Director since 16 December 2014

Non-Executive

Professor Jonathan West	Non-Executive Chairman	Director since 7 November 2005 Appointed Non Executive Chairman 18 November 2014
Dr John Bedbrook	Non-Executive Director	Director since 3 June 2014
Mr Gordon Black	Non-Executive Director	Director since 18 November 2015
Mr G F Dan O'Brien	Non-Executive Director	Director since 18 November 2015

REVIEW OF OPERATIONS

Financial

Hexima's principal activities include the research, development and commercialisation of technology of plant derived proteins and peptides for applications as human therapeutics and for the genetic modification of crops.

As at 31 December 2016, the Group had approximately \$3.946 million in cash and receivables. This equates to approximately two years of funding at the current cash burn rate in the absence of extensive preclinical and clinical costs for the onychomycosis program. The Company intends to proceed with a \$3.9m rights issue to raise funds to accelerate the onychomycosis project and to proceed with clinical trials. The government's R&D Tax Credit legislation provides Hexima with approximately \$2.2m cash per annum based on current R&D expenditure.

Net cash inflow for the six months was \$0.002 million compared with net cash outflow of \$2.195 million in the prior corresponding period. This is due primarily to the difference in timing of receipt of the R&D Tax Credit funds. The 2014/15 credit was received in January 2016, whilst the 2015/16 credit was received in September 2016.

Hexima recorded a loss of \$0.891 million for the six months ended 31 December 2016, compared to a loss of \$0.797 million for the previous corresponding period. Lower income was generally matched by lower expenses.

Net interest income for the six months ended 31 December 2016 was \$0.005 million compared with \$0.032 million for the previous corresponding period. This is due to lower funds on term deposit.

DIRECTORS' REPORT

Operations

Hexima's antifungal technology has been the major focus for 2016 as it presents the most likely source of increased shareholder value in the short to medium term. In the short term, Hexima is focusing its resources on the development of its lead antifungal molecule, HXP124, as a treatment for onychomycosis (fungal nail infections). Preclinical data indicates that HXP124 has multiple advantages over current onychomycosis therapies, in particular the ability to rapidly penetrate the nail when applied topically and the ability to kill cells faster and at lower concentrations than current drugs.

During the period Hexima received results from an Infected Nail Model (conducted by MedPharm, UK) which demonstrated that HXP124 was able to penetrate the nail plate and kill fungus present on the underside of the nail. Hexima also conducted several key animal toxicology studies during the period. HXP124 had a good safety profile in these studies with no irritation observed when applied to the skin of guinea pigs or minipigs or the ears of mice. However, proliferation of lymph node cells in the mouse model indicates HXP124 could have the potential to be a skin sensitiser.

Hexima will continue development of HXP124 in 2017 with clinical trials anticipated to start in Q3. Hexima has also initiated discussions with several Japanese pharmaceutical companies regarding licencing HXP124 for the treatment of onychomycosis in Japan. Hexima is in mature discussions with a potential partner and intends to licence HXP124 for this market in H1 2017.

Excellent progress was made on the insect gene discovery program conducted in collaboration with DuPont Pioneer. Hexima has collected several thousand plant and bacterial samples and screening of these samples for novel insect actives is taking place in Australia and the United States. While the prospective timelines for generating commercial products from this project are long (12-15 years), this work is funded by DuPont Pioneer and does not represent a drain on Hexima's cash reserves.

Subsequent event

Subsequent to year end, on the 28th February 2017, the Group lodged a prospectus with ASIC. The Group expects to raise approximately \$3.9 million (exclusive of costs of the offer) from a fully underwritten non-renounceable pro-rata rights issue to subscribe for 6 new shares for every 10 shares held.

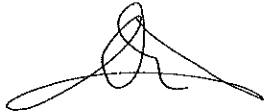
Other than the matter discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

DIRECTORS' REPORT

**LEAD AUDITORS' INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001**

The Lead Auditor's Independence Declaration is set out on page 22 and forms part of the Directors' Report for the six months ended 31 December 2016.

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



Professor Jonathan West
Director



Professor Marilyn Anderson
Director

Dated this 9th day of March 2017

HEXIMA LIMITED
ABN 64 079 319 314

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Consolidated	
	31 Dec	31 Dec
	2016	2015
	\$	\$
Revenue	<u>2,299,395</u>	<u>2,628,164</u>
Research & development expenditure	(2,390,641)	(2,569,347)
Patent expense	(300,729)	(192,184)
Field trial expense	-	(151,290)
Marketing & development expense	(33,021)	(34,068)
Employee benefits expense	(268,620)	(423,127)
Depreciation expense	(97,944)	(102,326)
Other expenses	<u>(116,501)</u>	<u>(89,473)</u>
	<u>(3,207,456)</u>	<u>(3,561,815)</u>
Results from operating activities	(908,061)	(933,651)
Financial income	<u>16,591</u>	<u>136,467</u>
Net financing income	<u>16,591</u>	<u>136,467</u>
Loss before income tax	(891,470)	(797,184)
Income tax expense	<u>-</u>	<u>-</u>
Loss for the period	<u>(891,470)</u>	<u>(797,184)</u>
Other comprehensive income for the period, net of income tax	<u>-</u>	<u>-</u>
Total comprehensive loss for the period	<u>(891,470)</u>	<u>(797,184)</u>
Loss attributable to:		
Owners of the Company	<u>(891,470)</u>	<u>(797,184)</u>
Loss for the period	<u>(891,470)</u>	<u>(797,184)</u>
Total comprehensive loss attributable to:		
Owners of the Company	<u>(891,470)</u>	<u>(797,184)</u>
Total comprehensive loss for the period	<u>(891,470)</u>	<u>(797,184)</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 2016	30 Jun 2016
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	2,078,044	2,053,804
Receivables	1,867,899	2,849,599
TOTAL CURRENT ASSETS	3,945,943	4,903,403
NON-CURRENT ASSETS		
Plant and equipment	1,908,461	2,006,405
TOTAL NON-CURRENT ASSETS	1,908,461	2,006,405
TOTAL ASSETS	5,854,404	6,909,808
CURRENT LIABILITIES		
Trade and other payables	1,735,329	1,847,085
Employee benefits	161,143	165,823
TOTAL CURRENT LIABILITIES	1,896,472	2,012,908
TOTAL LIABILITIES	1,896,472	2,012,908
NET ASSETS	3,957,932	4,896,900
EQUITY		
Issued capital	8 57,659,831	57,659,831
Reserves	1,128,024	1,175,523
Accumulated losses	(54,829,923)	(53,938,454)
TOTAL EQUITY	3,957,932	4,896,900

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 2016</i>	Note	Ordinary Shares \$	Equity option reserve \$	Equity compensation reserve \$	Capital Raising Reserve \$	Accumulated Losses \$	Total equity \$
Opening balance at 1 July 2016		57,659,831	200,000	1,018,724	(43,201)	(53,938,454)	4,896,900
Net (loss) for the period		-	-	-	-	(891,470)	(891,470)
Total comprehensive (loss) for the period		-	-	-	-	(891,470)	(891,470)
Transactions with owners recorded directly in equity							
Capital raising costs		-	-	-	(63,602)	-	(63,602)
Equity settled share based payment transactions	8	-	-	16,104	-	-	16,104
Total transaction with owners		-	-	16,104	(63,602)	-	(47,498)
Balance at 31 December 2016		57,659,831	200,000	1,034,828	(106,803)	(54,829,924)	3,957,932
<i>For the six months ended 31 December 2015</i>	Note	Ordinary Shares \$	Equity option reserve \$	Equity compensation reserve \$	Capital Raising Reserve \$	Accumulated Losses \$	Total equity \$
Opening balance at 1 July 2015		57,659,831	200,000	958,475	-	(51,999,446)	6,818,860
Net (loss) for the period		-	-	-	-	(797,184)	(797,184)
Total comprehensive (loss) for the period		-	-	-	-	(797,184)	(797,184)
Transactions with owners, recorded directly in equity							
Capital raising costs							
Equity settled share based payment transactions	8	-	-	42,487	-	-	42,487
Total transaction with owners		-	-	42,487	-	-	42,487
Balance at 31 December 2015		57,659,831	200,000	1,000,962	-	(52,796,630)	6,064,163

The accompanying notes form part of these interim financial statements

HEXIMA LIMITED
ABN 64 079 319 314

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from government grants, tax incentive & collaboration agreements	3,433,647	831,979
Cash paid to suppliers and employees	(3,373,281)	(3,017,028)
Foreign currency remeasurement gain	-	-
	<hr/>	<hr/>
Net cash from / (used in) operating activities	60,366	(2,185,049)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	5,280	37,253
Payments for property, plant and equipment	-	(47,196)
Receipts for property, plant and equipment	-	-
	<hr/>	<hr/>
Net cash from / (used in) investing activities	5,280	(9,943)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash paid for capital raising	(63,602)	-
	<hr/>	<hr/>
Net cash from financing activities	(63,602)	-
Net increase / (decrease) in cash and cash equivalents	2,044	(2,194,992)
Effect on movements in exchange rates on foreign currency denominated cash at bank	22,196	-
Cash and cash equivalents at 1 July	2,053,804	3,574,100
	<hr/>	<hr/>
Cash and cash equivalents at 31 December	2,078,044	1,379,108
	<hr/>	<hr/>

The accompanying notes form part of these interim financial statements

Notes to the consolidated interim financial statements for the six months ended 31 December 2016

1. REPORTING ENTITY

Hexima Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Level 4, LIMS 2, La Trobe University, Melbourne, Victoria, 3086. Hexima is actively engaged in the research and development of technology of plant derived proteins and peptides for applications as human therapeutics and for the genetic modification of crops.

The interim consolidated financial statement as at and for the six months ended 31 December 2016 comprises the Company and its subsidiaries (together referred to as the consolidated entity or Group).

The consolidated annual financial report of the Group as at and for the year ended 30 June 2016 is available upon request from the Company's registered office at Level 4, LIMS 2, LaTrobe University Melbourne Victoria 3086 or at www.hexima.com.au.

2. BASIS OF PREPARATION

(a) 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 2016.

The consolidated interim financial report was approved by the Board of Directors on 9th March 2017.

(b) Going concern basis of accounting

The financial report is prepared on a going concern basis, which contemplates continuity of normal operations and the realisation of assets and settlement of liabilities in the ordinary course of operations. In making this assessment, the directors have considered future events and conditions for a period of at least 12 months following the approval of these financial statements.

The Group has a history of losses and incurred a loss after tax of \$891,470 for the 6 months ended 31 December 2016 (Financial year ended 30 June 2016: loss after tax of \$1,939,008). Given the history of losses and the decrease of cash and cash equivalents over the years, the going concern assumption of the Group is dependent on the continued income from collaboration fees, the R&D tax incentive from the government and the Group's ability to control its expenditures in line with cash resources available.

Notwithstanding the history of operating losses and the decrease in cash and cash equivalents compared to prior years, the Directors consider that it is appropriate to prepare the financial statements on a going concern basis based on the following mitigating factors:

- The Group has sufficient cash and receivables at 31 December 2016 to meet its obligations at that date and expects to do so for a period of at least 12 months following the approval of these financial statements.

Notes to the consolidated interim financial statements for the six months ended 31 December 2016

2. BASIS OF PREPARATION (continued)

(b) Going concern basis of accounting (continued)

- The Group has not entered into any long term contractual commitments and its major expenditure (R&D) can be curtailed in line with the cash resources available.
- The Group believes it will successfully raise additional funds of approximately \$3.9 million in CY2017 from its shareholders to continue its R&D activities.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, 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 2016.

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 2016.

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 2016.

6. SEGMENT REPORTING

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

7. PLANT AND EQUIPMENT

Acquisitions

During the six month period ended 31 December 2016, the consolidated entity did not acquire any assets.

HEXIMA LIMITED
ABN 64 079 319 314

Notes to the consolidated interim financial statements for the six months ended 31 December 2016

8. CAPITAL AND RESERVES

Ordinary Shares	Number of Shares	Amount Paid \$
On issue at 1 July 2016	81,180,469	57,659,831
On issue at 31 December 2016 – fully paid	81,180,469	57,659,831

Ordinary Shares	Number of Shares	Amount Paid \$
On issue at 1 July 2015	81,180,469	57,659,831
On issue at 31 December 2015 – fully paid	81,180,469	57,659,831

	Number of options		Amount Paid	
	2016	2015	2016	2015
Equity option reserve			\$	\$
On issue at 1 July	-	125,000	200,000	200,000
Lapsed during period	-	125,000	-	-
Issued during period at \$0.50 exercise price	-	-	-	-
On issue at 31 December	-	-	200,000	200,000

	Number of options		Amount Paid	
	2016	2015	2016	2015
	(Half Year)	(Full Year)	(Half Year)	(Full Year)
Equity compensation reserve			\$	\$
On issue at 1 July	4,598,000	1,848,000	1,218,724	958,474
Issued as compensation	-	2,750,000	16,104	42,487
Lapsed	-	-	-	-
On issue at 31 December	4,598,000	4,598,000	1,034,828	1,000,961
Total Reserve at 31 December	4,598,000	4,598,000	1,234,828	1,200,961

Notes to the consolidated interim financial statements for the six months ended 31 December 2016

8. CAPITAL AND RESERVES (continued)

No options were exercised for the six months ended 31 December 2016. 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.

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
01 July 2019	\$0.50	508,000
26 August 2019	\$0.50	640,000
18 November 2019	\$0.50	700,000
14 December 2020	\$0.50	2,750,000
		4,598,000

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 2016

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 1 July 2014 to other personnel	508,000	Vesting immediately	5 years
Options granted 26 August 2014 to key management	640,000	Vesting immediately	5 years
Options granted 18 November 2014 to key management	500,000	Vesting immediately	5 years
Options granted 18 November 2014 to key management	200,000	Vesting 31 December 2016 or on company sale	5 years
Options granted 11 December 2015 to key management	2,750,000	1,500,000 Vesting immediately, 1,250,000 Vesting on 11 Dec 2016	5 years
Total share options	4,598,000		

Notes to the consolidated interim financial statements for the six months ended 31 December 2016

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:

2016	Held at 1 July 2016	Granted as compen- sation	Exercised	Expired	Held at 31 December 2016	Vested during the period	Vested and exercisable at 31 December 2016
Directors							
Jonathan West	1,000,000	-	-	-	1,000,000	500,000	1,000,000
Nicole van der Weerden	1,000,000	-	-	-	1,000,000	-	1,000,000
Marilyn Anderson AO	500,000	-	-	-	500,000	-	500,000
John Bedbrook	700,000	-	-	-	700,000	450,000	700,000
Gordon Black	250,000	-	-	-	250,000	250,000	250,000
G F Dan O'Brien	250,000	-	-	-	250,000	250,000	250,000
Key Management							
Elisha Larkin	40,000	-	-	-	40,000	-	40,000
	3,740,000	-	-	-	3,740,000	1,450,000	3,740,000

Notes to the consolidated interim financial statements for the six months ended 31 December 2016

11. RELATED PARTIES (continued)

2015	Held at 1 July 2015	Granted as compensation	Exercised	Expired	Held at 31 December 2015	Vested during the period	Vested and exercisable at 31 December 2015
Directors							
Jonathan West	-	1,000,000	-	-	1,000,000	500,000	500,000
Nicole van der Weerden	500,000	500,000	-	-	1,000,000	500,000	1,000,000
Marilyn Anderson AO	500,000	-	-	-	500,000	-	500,000
John Bedbrook	200,000	500,000	-	-	700,000	250,000	250,000
Steven Skala AO (1)	-	250,000	-	-	250,000	250,000	250,000
Gordon Black	-	250,000	-	-	250,000	-	-
G F Dan O'Brien	-	250,000	-	-	250,000	-	-
Key Management							
Elisha Larkin	40,000	-	-	-	40,000	-	40,000
	1,240,000	2,750,000	-	-	3,990,000	1,500,000	2,540,000

(1) Retired as director on 31 December 2015

Notes to the consolidated interim financial statements for the six months ended 31 December 2016

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

2016	Held at 1 July 2016	Purchases	Received on exercise of options	Sales	Held at 31 December 2016
Directors					
Jonathan West	2,000,000	-	-	-	2,000,000
Marilyn Anderson AO	2,381,935	-	-	-	2,381,935
Nicole van der Weerden	9,000	-	-	-	9,000
John Bedbrook	-	-	-	-	-
Gordon Black	-	-	-	-	-
G F Dan O'Brien	4,871,333	-	-	-	4,871,333
	9,262,268	-	-	-	9,262,268

2015	Held at 1 July 2015	Purchases	Received on exercise of options	Sales	Held at 31 December 2015
Directors					
Jonathan West	2,000,000	-	-	-	2,000,000
Marilyn Anderson AO	2,381,935	-	-	-	2,381,935
Nicole van der Weerden	9,000	-	-	-	9,000
Steven Skala AO (1)	4,167,467	-	-	-	4,167,467
John Bedbrook	-	-	-	-	-
Gordon Black	-	-	-	-	-
G F Dan O'Brien	4,871,333	-	-	-	4,871,333
	13,429,735	-	-	-	13,429,735

(1) Mr Steven Skala retired as a Director on the 31st December 2015

Notes to the consolidated interim financial statements for the six months ended 31 December 2016

11. RELATED PARTIES (continued)

Other related parties

Other key management personnel disclosures with the Company

a) Professor Anderson and Dr van der Weerden are employees of La Trobe University. During the course of the six months ended 31 December 2016, amounts (including GST) totalling \$1,621,992 (Dec 2015: \$1,726,873) were paid 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 2016 were \$734,212 (Dec 2015: \$931,360).

12. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Consolidated	
	2016	2015
Less than one year	-	-
Between one and five years	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

The consolidated entity leases land which houses the glasshouse under an operating lease. The glasshouse which has a written down book value of \$1,539,494 at 31 December 2016 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.

13. SUBSEQUENT EVENT

Subsequent to year end, on the 28th February 2017, the Group lodged a prospectus with ASIC. The Group expects to raise approximately \$3.9 million (exclusive of costs of the offer) from a fully underwritten non-renounceable pro-rata rights issue to subscribe for 6 new shares for every 10 shares held.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Hexima Limited ("the Company"):
- (a) the financial statements and notes, set out on pages 6 to 18, 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 2016 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 9th day of March 2017.

Signed in accordance with a resolution of the Directors:



Professor Jonathan West
Director



Professor Marilyn Anderson
Director



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

We have reviewed the accompanying interim financial report of Hexima Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2016, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the interim period ended on that date, notes 1 to 13 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the interim period.

Responsibility of the Directors 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 for the review of the interim financial report

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 Group's financial position as at 31 December 2016 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 Group's financial position as at 31 December 2016 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

9 March 2017



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 half-year ended 31 December 2016 there have been:

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

KPMG

Gordon Sangster

Partner

Melbourne

9 March 2017