HEXAGON
resources limited
High Purity Flake Graphite for New Technologies

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2016

HEXAGON RESOURCES LIMITED
ABN 27 099 098 192

CORPORATE DIRECTORY

Board of Directors

Neville Miles	Non-Executive Chairman
Anthony Cormack	Executive Director and CEO
Garry Plowright	Non-Executive Director
Charles Whitfield	Non-Executive Director

Company Secretaries

Leni Stanley
Brent Van Staden

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Auditors BDO Audit Pty Ltd Level 10, 12 Creek Street Brisbane QLD 4000 Telephone: 07 3237 5999 Fax: 07 3221 9227 Website: www.bdo.com.au	**Share Registry** BoardRoom Pty Limited Level 12 225 George Street Sydney NSW 2000 Telephone: 1300 737 760 Facsimile: 1300 653 459 Website: www.boardroomlimited.com.au

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CHAIRMAN'S REPORT

Dear Fellow Shareholders,

I am delighted to present this year's Annual Report.

When I started in this role in December 2014, the company was going through a very difficult time. However, with the hard work of all the new team we have significantly improved on the prospects for the company and past year was a real game changer for us. Whilst not all the goals we had identified have been achieved, we have been very focused on ensuring a conservative approach to everything we do and building a solid foundation for a company that intends to be a producer of quality flake graphite for many years to come.

I am encouraged by the significant recovery in our share price from its lows. Whilst I still believe it does not reflect the results of the hard working efforts of the team in the last 18 months and the impressive resource that has now been defined at McIntosh, the share price is at least heading in the right direction. If I compare it to our peers with similar resource sizes, we still have a large upside in the price in the coming year as we further achieve our goals so I look forward with excitement to the year ahead.

I have now had several confirmations of just how good our tenements are from 3rd parties and am even more confident we have a "company making" resource in McIntosh and we should continue to focus all our efforts on this.

We also outlined at last year's AGM that we would look at options for South Korea. At the time, we had been approached by an interested party in the tenements but unfortunately that fell through, with the final offer being far below what we felt represented fair value for shareholders. Subsequent to the end of this financial year, we have been approached by another party interested in taking over these tenements and this is progressing.

The company has pledged to maintain stringent fiscal discipline. As part of this, management instigated appraisal of the large tenement holding around the Halls Creek area which costs us money to rent and requires exploration expenditure. Tony and the team conducted a review of these tenements during the wet season and went to site as early as possible to rock chip sample and work the ground. In doing so we found some ground that definitely needs further investigation. Some of the prospects are along strike of some very exciting projects other companies are successfully producing from. Whilst this will remain non-core, we think it is prudent and in the best interests of shareholders to employ an expert consultant to investigate these anomalies further and have kicked off Phase One of the project to do this investigation. If the results of further investigations prove positive, we will look at the best way to maximize shareholder return on these blocks whilst remaining focused on McIntosh.

Recently we also appointed a new board member, Charles Whitfield, who comes with extensive experience in strategy, financing and industry experience in the battery materials space. We said we would look at strengthening the team this year and we have not finished, but finding the right people and ensuring we incentivise this talent is very important to our success.

We believe we have confirmed an valuable project in terms of size, metallurgy and quality, we now are focused on a number of key aspects to move it into production.

A) Resource confirmation – over the next several months a concerted infill drilling programme to move more of the resource from inferred and indicated to measured to help us position ourselves better in a DFS including employing a VTEM to seek out extensions and other prospects at McIntosh thereby demonstrating that we can significantly increase our resource and that the flake Graphite extends into these other areas.

B) Metallurgy and customer testing - Providing bulk samples for definitive lithium ion battery test work from material across our prospects to further prove:
I) That our material is battery grade.
II) That a large extent of our project is flake that is battery grade and not just a small section that we have seen in other projects globally.
In addition, we continue to send material to prospective customers for targeted applications both in Graphene and Battery grade flake with a view to cementing real sales and offtake agreements not meaningless MoUs or non-binding contracts.

C) Feasibility and funding – All of the above lead into our objective of finalizing the Pre-Feasibility study with the further aim of financing the project during this financial year.

I would like to thank loyal shareholders both large and small for once again supporting us throughout the year. We have had a lot of success and our intention is to progress this project as quickly as possible.

Best Regards
Neville Miles
Chairman

HEXAGON resources limited
High Purity Flake Graphite for New Technologies

DIRECTORS' REPORT

Your Directors present their report on Hexagon Resources Limited (the Company) and its controlled entities (the Consolidated Entity) for the year ended 30 June 2016.

DIRECTORS

The names and details of the Directors of Hexagon Resources Limited in office at the date of this report or at any time during the financial year are:

Current Directors:

Name	Position	Period of Directorship
Neville Miles	Non-Executive Chairman	Appointed 9 December 2014
Anthony Cormack	Executive Director and CEO	Appointed 17 December 2014
Garry Plowright	Non-Executive Director	Appointed 10 June 2015
Charles Whitfield	Non-Executive Director	Appointed 22 August 2016

Information of directors
The following information is current as at the date of this report.

Neville Miles B.E.(Electrical) UNSW, MAICD *Non-executive Chairman*	
Experience and expertise	Mr. Miles is Singapore based, where he is currently COO of Invicara, an IT company providing solutions to the building industry. Mr Miles has strong corporate experience in business strategy, strategy execution and marketing. Mr Miles has extensive senior management experience, having run a variety of businesses for Siemens internationally for over 15 years. These include large operational businesses in a variety of fields and in a number of regions globally, including China. Most recently, he was head of SmartGrid Applications, Asia Pacific, where he dealt with Energy Storage and Distribution (industrial battery storage and eCar) initiatives.
Other current directorships	None
Former directorships in last 3 years	None
Special responsibilities	Chairman
Interests in shares and options	Direct – Ordinary shares – 1,820,282 Direct – Unlisted Options – 500,000 Indirect - Ordinary shares – 557,383

Anthony (Tony) Cormack B.Sc.(Geology) MAusIMM *Executive director and Chief Executive Officer*	
Experience and expertise	Mr. Cormack is a geologist with more than 20 years' experience in the exploration and mining industry in Western Australia. Mr Cormack has held a number of senior roles including Resource Development Manager with Atlas Iron, and Geology Team Leader for BHP Billiton's Area C Project, and has gathered extensive experience in a broad range of commodities including gold, nickel, tantalum, iron and graphite. Mr Cormack was employed as the company's Operations Manager prior to being appointed to the Board.
Other current directorships	None
Former directorships in last 3 years	None
Special responsibilities	Chief Executive Officer
Interests in shares and options	Direct –Unlisted Options – 2,000,000 Indirect - Ordinary shares – 354,359

Garry Plowright *Non-executive director*	
Experience and expertise	Mr. Plowright is an experienced executive with over 25 years' experience in finance, commercial and technical development within the mining and exploration industry, working for some of Australia's leading resource companies. He had been involved in gold, base metals and iron ore exploration and mining development projects in Australia and worldwide. Previous experience with the supply and logistics of services to the mining and exploration industry including capital raising, corporate governance and compliance, project management, mining and environmental approvals and regulations, contract negotiations, tenure management, land access, stakeholder and community engagement. Mr Plowright has extensive experience in mining law and has provided services to the industry in property acquisitions, project generation and joint venture negotiations. Mr Plowright has held global operational and corporate roles with Gindalbie Metals Ltd, Mt Edon Gold Ltd, Pacmin Mining, Atlas Iron Ltd, Tigris Gold (South Korea) and Westland Titanium (New Zealand). He has a strong background in strategic management, business planning, building teams, capital/debt raising, and experience with a variety of commodities.
Other current directorships	None
Former directorships in last 3 years	None
Special responsibilities	None
Interests in shares and options	Direct –Unlisted Options – 500,000 Indirect - Ordinary shares – 500,000

Charles Whitfield *Non-executive director*	
Experience and expertise	Mr. Whitfield is an experienced executive with over 20 years' experience in finance and commercial development of early stage technology and specialist resource companies. Mr Whitfield was an executive Director for Galaxy Resources Limited where he had responsibility for strategy and finance during the significant turnaround of Galaxy from a distressed company to one of the preeminent lithium companies. Mr Whitfield is a Director of Drumrock Capital which invests in, and provides advice to, turnaround and early stage technology and specialist resource companies. He was formerly a Managing Director with Citigroup where he held the position of Head of the Corporate Equity Solutions Group (Asia Pacific) and prior to this, he worked for the Deutsche Bank where he was Head of the Strategic Equity Group (Asia Pacific). Mr Whitfield has a Masters in Business Administration (majoring in Finance and Strategy) from Columbia Business School (New York) and a Bachelor of Economics from the University of Exeter (UK).
Other current directorships	None
Former directorships in last 3 years	Galaxy Resources Limited – until 19 August 2016
Special responsibilities	None
Interests in shares and options	Direct – Ordinary shares – 1,101,000

Company Secretaries

The names and details of the Company's key management personnel during the financial year and until the date of this report are as follows:

Leni Stanley
Company Secretary
Leni Stanley is a Chartered Accountant with a Bachelor of Commerce from University of Queensland and is the principal of a chartered accounting firm. Ms Stanley has extensive experience in public listed company administration and holds similar positions with other ASX listed companies.

Brent Van Staden
Company Secretary
Brent Van Staden is a corporate lawyer with more than 15 years' experience and has advised multiple resource companies on their initial public offerings, secondary capital raisings, project acquisitions and general compliance.

Mr Van Staden has a Bachelor of Laws (Hons) and Masters of Law degrees in Tax and Commercial Law and is admitted to practice in Queensland, New South Wales, England and Wales, and South Africa.

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2016 and the number of meetings attended by each Director.

	Meetings attended	Eligible to attend
Neville Miles	32	33
Anthony Cormack	33	33
Garry Plowright	29	33

There are no committees of directors. All relevant matters are considered by the Board.

CORPORATE INFORMATION

Hexagon Resources is a company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX). Hexagon Resources has prepared a consolidated financial report encompassing the entities that it controlled during the financial year (see note 24).

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

During the course of the year the principal activity of the Consolidated Entity was mineral exploration on its projects in Western Australia, New South Wales and South Korea.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company's operations are subject to environmental regulations in relation to its exploration activities. The Directors are not aware of any significant breaches during the period covered by this report.

CURRENCY

The financial report is presented in Australian dollars and amounts are rounded to the nearest dollar.

DIVIDENDS

No dividends were paid during the financial year ended 30 June 2016 (2015: nil) and no dividend is recommended for the current year.

FINANCIAL REVIEW

For the year ended 30 June 2016, the loss for the Consolidated Entity after providing for income tax was $2,570,062 (2015: loss of $5,693,038), a reduction in the loss of the Entity of $3,122,976.

The Company received a research and development income tax concession of $Nil (2015: $856,696) and drilling grants of $Nil (2015: $98,403) during the year which were offset against capitalised exploration expenditure.

Since 30 June 2016 the entity has received $602,000 for research and development income tax concession.

At 30 June 2016 the Company had 233,829,247 ordinary shares and 13,118,750 options on issue.

Subsequent to the end of the financial year the Company has issued 625,000 shares on exercise of unlisted options at 12 cents each.

The Consolidated Entity's main sources of expenses are as follows:

	2016	2015
	$	$
Employee expenses	359,705	728,419
Corporate and administration expenses	712,959	1,323,476
Due diligence expenses	-	1,012,545
Provision for non-recovery of Hengda Deposit	99,879	2,593,362
Fair value loss on financial liability at fair value through profit or loss	-	591,875
Impairment of exploration assets	1,384,321	27,596

The major expenses and cash outflows for 2016 financial year were associated with progressing the McIntosh Project.

Corporate and administration expenses have decreased by $610,517 and employee expenses decreased by $368,714 as the Consolidated Entity has worked to decrease its running expenses.

In the 2015 financial year the major expenses and cash outflows were associated with the Hengda transaction.

On 7 July 2014, the Company announced it had entered into to a Binding Framework Agreement, subject to due diligence to merge up to 100% of the issued capital of China Sciences Hengda Graphite Co, Ltd (Hengda), a graphite mining, processing and products company with Hexagon Resources with the combined entity to be listed on the ASX. The details of the proposed merger were outlined in the 2014 Annual Report.

Under the Agreement, in July 2014 Hexagon paid to Mr Wang Fengjun, General Manager and major shareholder of Hengda, a refundable deposit of US$2,000,000 guaranteed by Hengda.

In late October 2014, the Company discovered that the loan position of Hengda was substantially different from what had been presented and that the proper ownership of the shares proposed to be acquired under the Agreement, could not be established.

Since then the Company has been working to secure the return of the US$2 million deposit, however this has not been successful to date.

During the 2015 financial year the Company spent $1,012,545 on due diligence activities relating to the Hengda transaction and a provision for non-recovery of the US$2 million deposit.

Pending finalisation of Hexagon's legal advice, the Directors cannot guarantee that Hexagon will successfully recover the Hengda Deposit by legal process, but its Directors are pursuing both legal advice and discussions with Hengda's management, with that aim in mind. Consequently Hexagon has recorded a provision for non-recovery of the Hengda Deposit to the value of A$2,693,241 in the Financial Report to 30 June 2016 (2015: $2,593,362).

Cashflows

The major items of cash expenditure during the year were:

	2016	2015
	$	$
Payments relating to the exploration and evaluation of projects	1,964,826	2,897,081
Payment of Hengda deposit	-	2,209,456
Payments for due diligence activities	-	1,012,545
Payments to suppliers and employees [1]	1,072,240	2,023,745

[1] Employee payments for technical staff that relate specifically to the Company's projects are included in "Payments relating to the exploration and evaluation of projects".

REVIEW OF OPERATIONS

AUSTRALIA'S LARGEST FLAKE GRAPHITE RESOURCE

JORC Resource Estimate for McIntosh of 17.2Mt @ 4.63% TGC for 797,200 tonnes of contained graphite

Largest JORC Compliant Flake Graphite Resource in Australia

Less than 15% of the strike length potential at McIntosh has been drilled to date, huge upside exists to significantly expand the resource base further

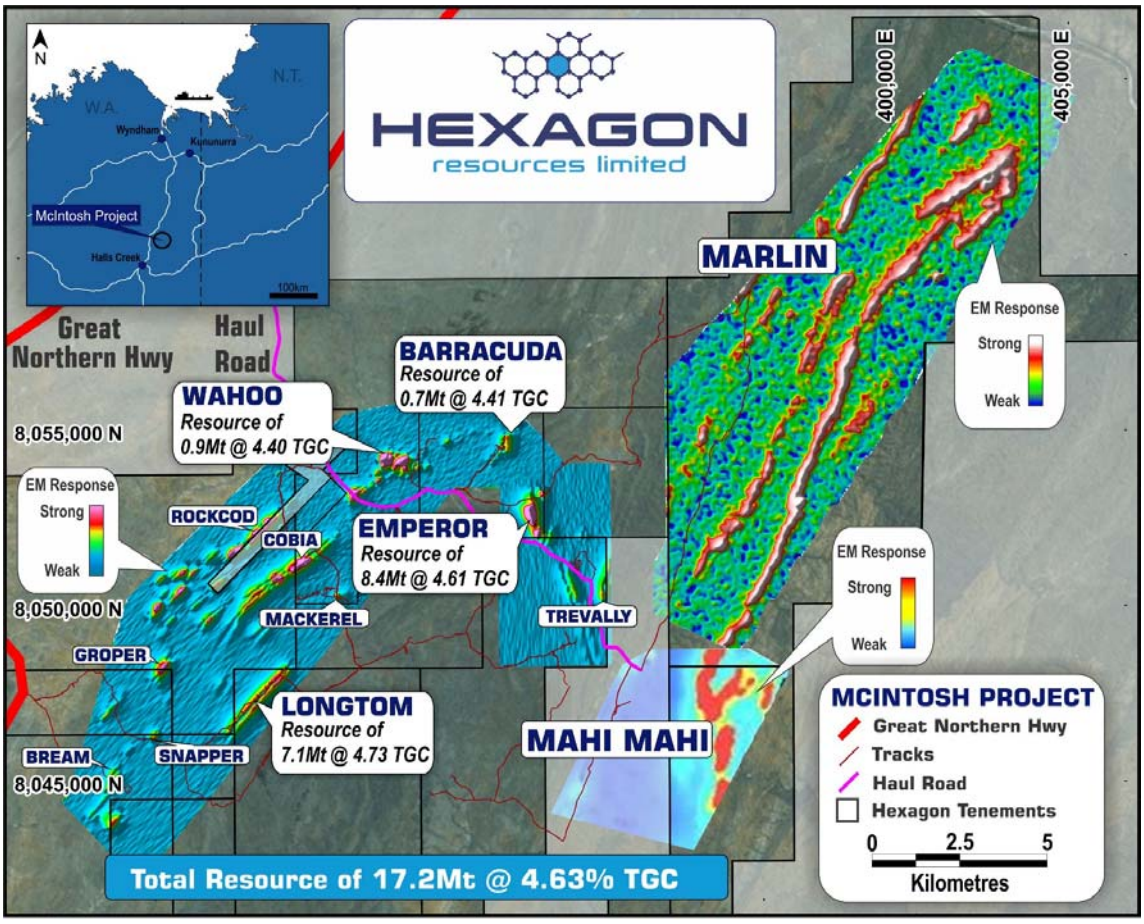
The McIntosh project has a number of significant comparative advantages with a ultra-high purity +99% TC flake graphite product that can be achieved from simple flotation combined with the largest flake graphite resource in one of the world's most stable mining jurisdictions.

Table 1: McIntosh Flake Graphite Project Global Mineral Resource Estimate – 27 January 2016

Deposit	JORC Classification	Material Type	Tonnes (Mt)	TGC (%)	Contained Graphite (Tonnes)
EMPEROR	Indicated	Oxide	-	-	-
		Primary	3.4	4.32	145,250
	Inferred	Oxide	-	-	-
		Primary	5.1	4.79	240,900
	Indicated + Inferred	**Oxide + Primary**	**8.4**	**4.61**	**386,150**
LONGTOM	Indicated	Oxide	-	-	-
		Primary	4.5	4.71	210,350
	Inferred	Oxide	0.5	4.51	24,350
		Primary	2.1	4.84	103,000
	Indicated + Inferred	**Oxide + Primary**	**7.1**	**4.73**	**337,700**
WAHOO	Inferred	Oxide	0.1	4.16	3,550
		Primary	0.8	4.43	37,000
	Inferred	**Oxide + Primary**	**0.9**	**4.40**	**40,550**
BARRACUDA	Inferred	Oxide	0.3	4.49	11,350
		Primary	0.5	4.37	21,450
	Inferred	**Oxide + Primary**	**0.7**	**4.41**	**32,800**
Total Resource	**Indicated + Inferred**	**Oxide + Primary**	**17.2**	**4.63**	**797,200**

Notes: 1. Longtom (Target 1) has a 2% TGC lower cut-off grade. Emperor (Target 6), Wahoo (Target 4) and Barracuda (Target 5) have a 3% TGC lower cut-off grade
2. Rounding may result in differences in total and average grades

Figure 1: McIntosh Flake Graphite Project, East Kimberley, Western Australia



The global Mineral Resource Estimate (MRE) for the McIntosh Flake Graphite Project comprises 17.2 million tonnes at an average grade of 4.63% TGC in compliance with the 2012 JORC code (see Table 1 and Figure 1). A total of 7.8 million tonnes at 4.55% TGC, being 45% of the total McIntosh resource, is within the indicated category.

With 797,200 tonnes of contained graphite, McIntosh is the largest flake graphite resource in Australia, combined with a highly desirable +99% flake graphite concentrate purity which can be achieved with a simple grind and flotation process.

Bulk scale metallurgical test work was based on 300kg of representative HQ diamond drill core from the Emperor and Wahoo deposits, and was conducted by ALS Global in Adelaide.

"A +99% C Concentrate can be produced from the bulk McIntosh samples through a simple grind and float" **- Lin Zhou, Metallurgist PhD (MinPro) MChE, BChE, MAusIMM.**

99% TC GRAPHITE PRODUCT FROM SIMPLE FLOTATION

Final product grades of 99% TC achieved from simple flotation without chemical or thermal purification

Significant market advantage with low cost processing delivering an ultra pure, highly crystalline and high value product for use in batteries

During the year Hexagon achieved ultra-high purity results from a bulk scale metallurgical test work program, completed by ALS in Adelaide. The results demonstrate that purity levels of 99% TC can be achieved using simple flotation without the use of any form of chemical of thermal purification. The 99% TC concentrate produced is a blended product highlighting ultra-high purity across all flake sizes. The absence of any chemical or thermal purification in generating such a high purity product, ensures a significant comparative advantage with major cost savings in both capital and operational expenditure associated with producing a battery grade product.

The natural flake graphite market is continuing to experience outstanding growth due to the increasing demand for lithium-ion batteries for use in electric vehicles along with energy storage from renewable sources such as solar and wind. Hexagon's strategy is focussed on taking advantage of the continued growth in the sector by producing high purity flake for use as anode material in these batteries and assessing value added spherical graphite production via jet milling as well as the production of Graphene.

PRODUCTION OF GRAPHENE

Physical and microscopic examination (see Figure 2) based on conductive and gravimetric tests of a representative bulk scale graphite concentrate from McIntosh, confirms a highly concentrated flake graphite concentrate.

Preparation of both graphene oxide (GO) and graphene from the Hexagon graphite samples was successfully demonstrated using three exfoliation methods:

- **Liquid exfoliation based on acid chemical oxidation with a GO reduction step**
- **Direct thermal / mechanical exfoliation**
- **Electrochemical exfoliation (both without the need for intermediary GO steps)**

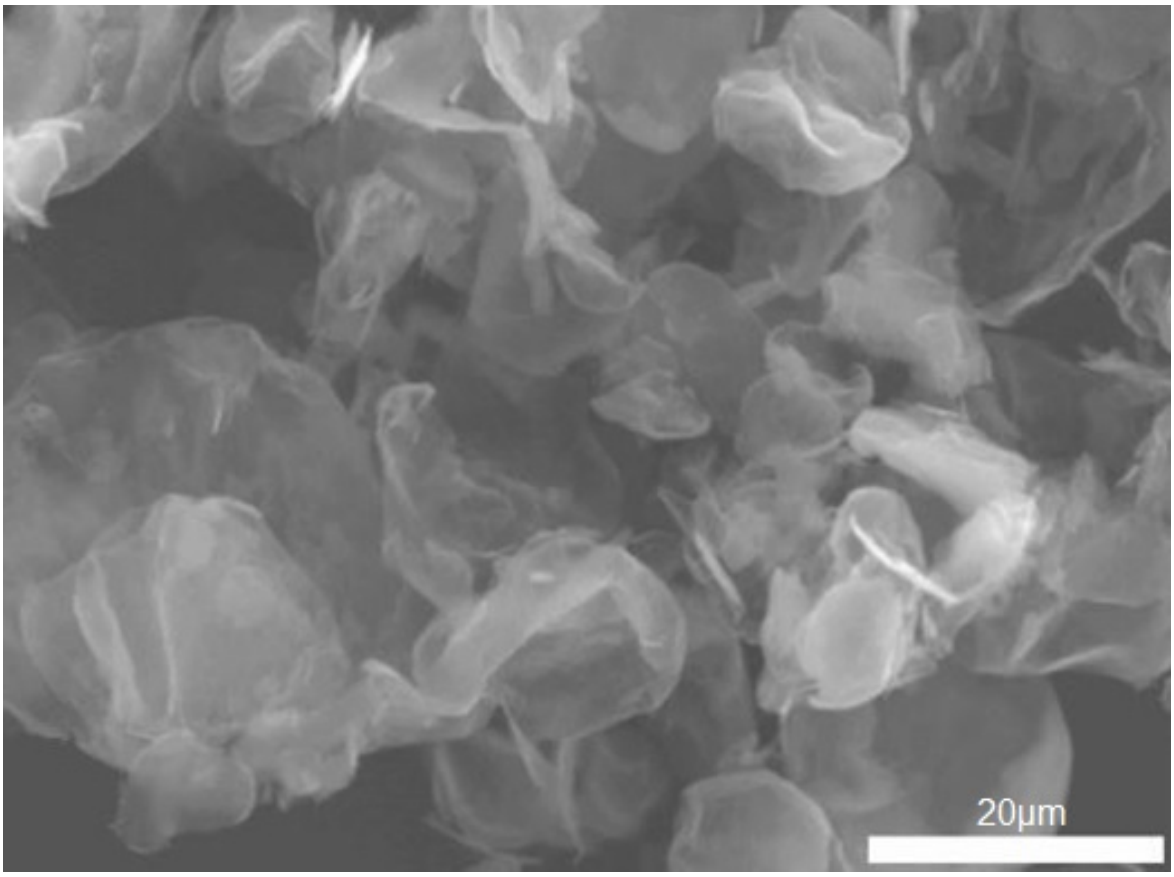


Figure 2: Scanning Electroscope Microscopy (SEM) image showing the typical morphology of dispersed graphene prepared from Hexagon's graphite

PREPARATION OF GRAPHENE USING A 'GREEN METHOD'

To confirm the preparation of reduced graphene from Hexagon's graphite, a 'green method' for the reduction of GO based on non-hazardous amino acids for the replacement of hazardous hydrazine hydrate was used. This method offers the potential to be used for scalable and environmentally friendly production of reduced graphene and avoids the use of any toxic materials.

This method was applied in performing the services and showed similar results but greater reduction efficiency (~10x) when compared with the common hydrazine method. Characterization results of the reduced graphene oxide (rGO) produced in the reduction process from GO from Hexagon ultra-high purity graphite using amino acids are shown in Figure 3.

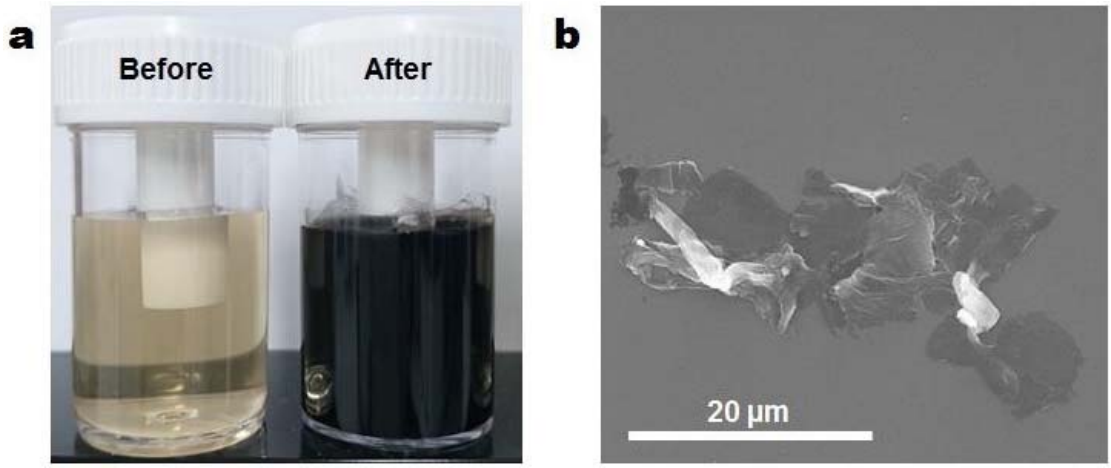


Figure 3: (a) Digital photographs of produced GO from Hexagon graphite before and after the reduction and graphene conversion process (b) SEM image of produced reduced graphene oxide (rGO) sheets

Figure 3(a) shows the change in the solution colour from a light brown (GO solution) to black (rGO solution) after the reduction process confirmed successful transformation. The conversion yield is not measured as it is based on the initial material, but approximately > 90 % of carbon is converted to graphene (rGO). Figure 3(b) shows a scanning electron microscope image of the reduced graphene oxide sheets produced.

CHARACTERISATION / GRAPHENE EXFOLIATION METHODS

Results from a bulk scale test work program indicate that Hexagon's graphite has potential to be used for the increased scale of graphene production. Typically, the greater the purity of graphite, the more efficient graphene isolation and yield will be.

Raman spectroscopy is recognised as the most powerful and accurate method used to infer the graphene quality. The properties of obtained graphene were assessed based on the shape and shift of the 2D bands compared with graphite used as a control.

These parameters were used to indicate thickness of graphene and graphene electrical properties relevant for applications, where high quality graphene is required, such as supercapacitors, sensors or batteries. Figure 4 shows the Raman graphs of graphene and GO prepared by all three methods confirming the quality and integrity of its structure extracted from Hexagon's graphite.

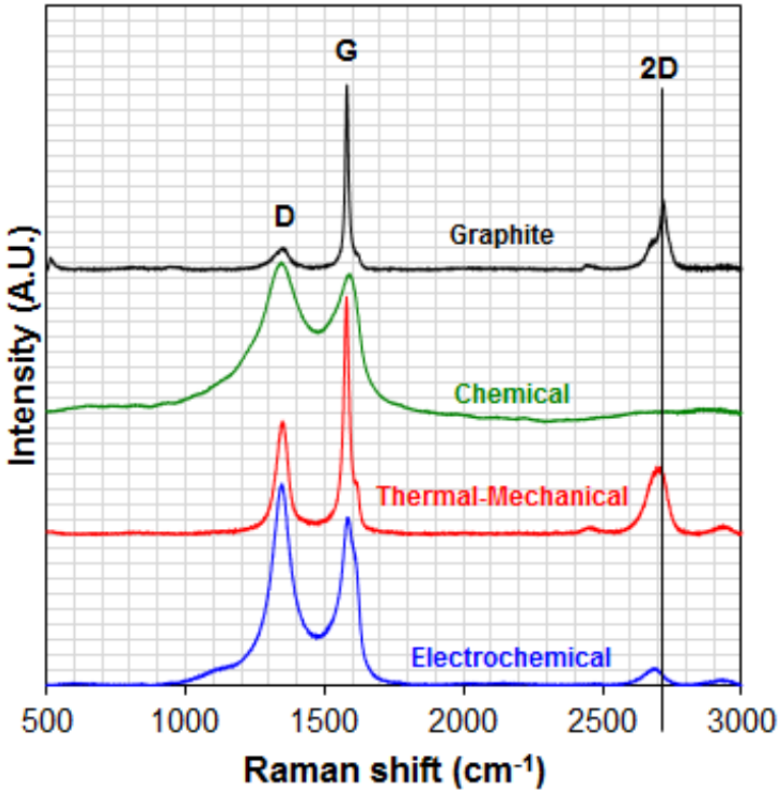


Figure 4. Comparative Raman graphs of graphene prepared by the three methods confirming the quality and integrity of its structure extracted from Hexagon graphite

MINE ENGINEERING AND OPEN PIT OPTIMISATION

Stage 1 of the McIntosh PFS focused on the project mine engineering design to determine the parameters under which a future mining operation could be established. Pit optimisations across a range of production scenarios, consistent with the previously announced conceptual study (see ASX:HXG announcement, McIntosh – Significant Added Potential Demonstrated - 23 February 2015) of 1.2Mtpa and 2.4Mtpa throughput have both shown favourable results.

Open pit optimisation work conducted by Hexagon's independent Mine Engineering consultant has shown favourable waste to ore ratio's across the range of potential production profiles. Stage 1 of the McIntosh PFS also determined that the most cost effective method of transport would be via the deep water Port of Wyndham using the sealed Great Northern Highway and existing all weather haul road running through the McIntosh project area.

Key components:

- ***Conventional truck and shovel mining methods***
- ***Low average strip ratio for projected life of mine***
- ***Simple processing using proven technology consisting of crushing, grinding, flotation, filtration, drying and bagging***
- ***Further technical studies being conducted to assess the viability of producing spherical graphite and graphene***

TRANSPORT / LOGISTICS

The McIntosh Project is located on an existing haul road and is approximately 20 kilometres from the sealed Great Northern Highway. The deep water Port of Wyndham (see Figure 5) is located approximately 240 kilometres to the north of the project area having excellent ship loading infrastructure, numerous bulk storage options along with sufficient capacity to accommodate any production profile from the McIntosh project.

Figure 5: Aerial view of the deep water Port of Wyndham, located approximately 240km north of the McIntosh project area

MCINTOSH GROWTH POTENTIAL

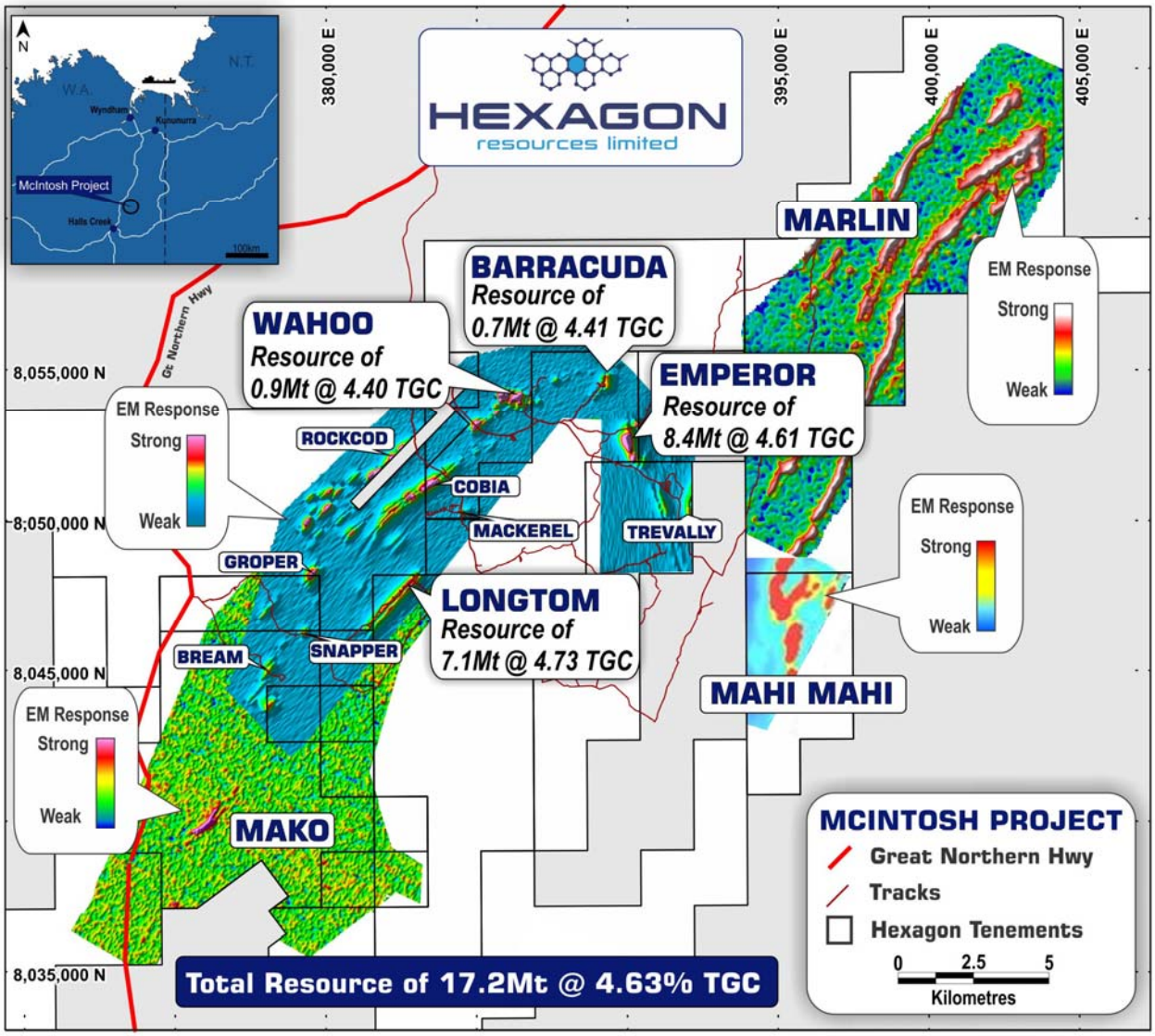


Figure 6: McIntosh Flake Graphite Project – Current resource base of 17.2Mt @ 4.63% TGC with significant potential to expand the resource base further

"The greater McIntosh tenement package contains significant electromagnetic anomalies confirmed to be associated with the presence of flake graphite, of particular significance are the Marlin, Mahi Mahi and Mako prospects (see Figure 6). These exciting prospects, along with the significant potential identified at Cobia, Rockcod and Groper has the company well positioned to become a significant, long term producer of high quality, high purity flake graphite" commented Hexagon's CEO / Head of Operations, Tony Cormack.

SOUTH KOREAN FLAKE GRAPHITE PROJECTS

During the year a detailed review of the South Korean projects by the company's new management team identified significant upside by targeting specific geological structures. The review, which focussed primarily on the Geumam project, being the most advanced of the South Korean projects, was based on lessons learnt from the ongoing development of the company's flagship flake graphite project at McIntosh in Western Australia. A detailed review of historical mine data from Geumam was also completed.

GEUMAM FLAKE GRAPHITE PROJECT

The Geumam Flake Graphite project is an advanced project located in a semi-rural setting surrounded by world class infrastructure. The project currently has a JORC 2012 compliant resource of 5.5Mt @ 5.4% Cg at Area B (See Table 2 and Figure 7) completed by independent consultant RungePincockMinarco (RPM). The mineral resource estimate is limited to only a portion of the Area B prospect with significant potential for resource upgrade based on the exploration potential identified across another six prospects.

Table 2: JORC 2012 Mineral Resource Estimate for Area B, Geumam

Geumam Area B Deposit Mineral Resource Estimate (1% C graphite Cut-off)					
Indicated Mineral Resource					
Type	**Tonnes (Mt)**	**C graphite %**	**C total %**	**S total %**	**Contained Graphite (t)**
Oxide	0.5	7.2	8.8	0.8	36,000
Fresh	1.0	6.3	8.9	1.0	65,000
Total	**1.5**	**6.6**	**8.9**	**0.9**	**101,000**
Inferred Mineral Resource					
Type	**Tonnes (Mt)**	**C graphite %**	**C total %**	**S total %**	**Contained Graphite (t)**
Oxide	0.1	7.8	9.5	0.8	11,000
Fresh	3.8	4.8	8.4	0.9	183,000
Total	**4.0**	**4.9**	**8.4**	**0.9**	**195,000**
Total Mineral Resource					
Type	**Tonnes (Mt)**	**C graphite %**	**C total %**	**S total %**	**Contained Graphite (t)**
Oxide	0.6	7.3	9.0	0.8	47,000
Fresh	4.9	5.1	8.5	0.9	249,000
Total	**5.5**	**5.4**	**8.6**	**0.9**	**296,000**

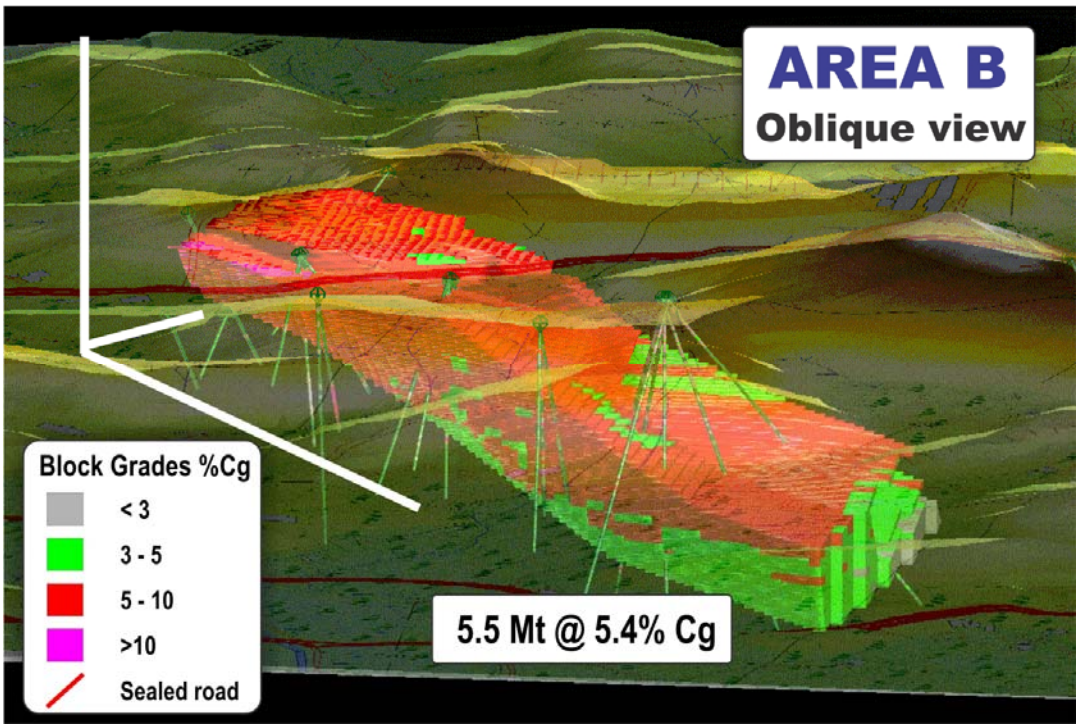


Figure 7: Geumam Area B resource block model coloured by Cg grade and showing diamond drill hole traces

Historical metallurgical reports from KMPC indicate from a ROM head grade of 7.5% Cg, a flotation concentrate grading 87.6% Cg was produced with only 2 cleaner flotation cycles, with a recovery of 79.2%. Recovered graphite flake distribution is tabulated below (See Table 3), indicating 30% of the flake is high value large and coarse 'Jumbo' flake product. Table 3 below shows flake size distribution of the historic concentrate which demonstrate that through simple flotation good recovery's of large to extra-large 'jumbo' flake graphite, suitable for spherical feed, can be obtained.

Table 3: Flake size distribution in concentrate from historical mining at Geumam

Classification	Microns (µm)	Mesh Size (#)	% in interval
Very fine	<75	-200	15.9
Fine	75-106	-150 to +200	16.8
Small	106-150	-100 to +150	15.6
Medium	150-180	-65 to +100	30.7
Large	180-300	-48 to +65	21.6
Extra Large 'Jumbo'	>300	+48	9.4

Comminution studies have concluded that the ore types ranged from soft to moderate hardness and would present no difficulties in milling. Separation test work has finalised the optimum grinding and flotation roughing conditions with optimum grind size is moderately coarse at 80% passing 212µm for the Area B deposit and slightly finer at 80% passing 180µm for Area C (similar to historic KMPC results, 1983).

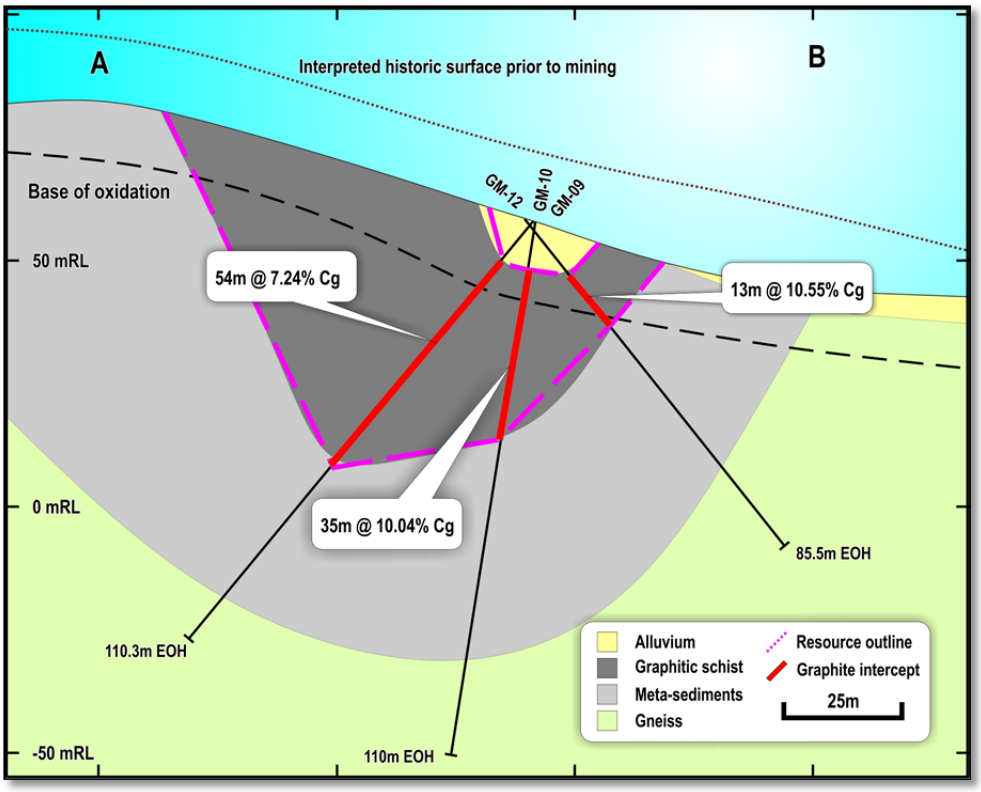


Figure 8: Cross-section A – B at the Guemam Flake Graphite project showing synformal structure of the deposit along with diamond drill holes and the historic surface

The geological structure of the Geumam project is a regional scale fold hinge (syncline), similar to the structure found at Hexagon's Wahoo deposit in Western Australia (See Figures 8 and 9). These fold hinge areas due to the high levels of stress on the lithology have an increased metamorphic grade, which test work has highlighted also correlates with an increased flake graphite grade as well as superior flake size.

Graphite occurs mainly as individual flakes concentrated in different layers with variable concentrations, or as small, loosely clustered acicular aggregates weakly parallel to the layering. Individual graphite flakes display curved or crumpled shapes and the size distribution of graphite flakes was calculated at 99.75µm by the *Equivalent Circle* method and 191.60µm using the *Maximum Diameter* method.

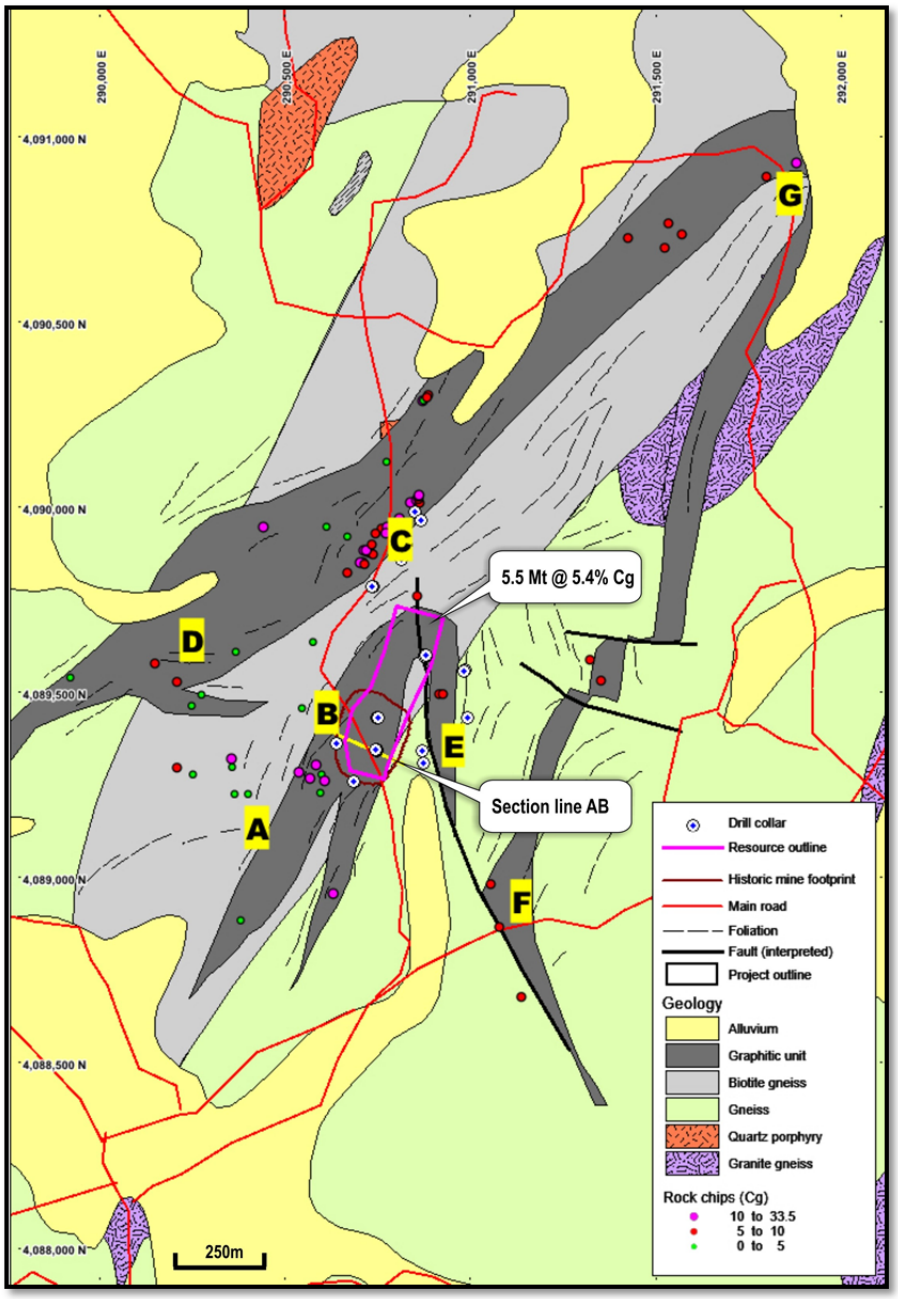


Figure 9: Geology of the Geumam Flake Graphite project with resource outline projected to the surface

Geological mapping, sampling and a review of all the historical exploration data reported by the KMPC has identified zones of graphite of significant size and grade at prospect Areas A, B, C, D, E, F and G. These zones outcrop from surface and the moderately-dipping graphite mineralisation is considered amenable to open pit mining methods.

TAEWHA FLAKE GRAPHITE PROJECT

According to the KMPC (1984), mining operations commenced about 1979 at the Taehwa graphite mine with trial flotation mill operations were undertaken in about 1982. The plant consisted of a jaw crusher, ball mill, spiral classifier, flotation cells, and a regrind rod mill. High-grade flake graphite was extracted from adits and an open pit.

The Taewha project contains high-grade, medium to jumbo size flake graphite as confirmed by petrographic studies with >30% of graphite considered to be large to extra-large 'jumbo' flake.

Historic metallurgical test work was undertaken by KMPC (1980) on two bulk samples and produced an excellent medium to extra-large 'jumbo' flake graphite concentrate with a grade of >90% Cg, at a high recovery of 89%.

Test work involved comminution and flotation studies, using a variety of "collector" types and concentrations, regrinding, followed by further flotation to determine an optimum yield flotation concentrate with >30% of graphite considered to be large to extra-large 'jumbo' flake.

SAMCHEOK FLAKE GRAPHITE PROJECT

The Samcheok Flake Graphite project is situated on the eastern seaboard of South Korea in Donghae County of Gangwon-Do. The project has a JORC compliant inferred resource of 200,000 tonnes at 5% Cg which was completed by an independent consultant. There is a historical open cut mine at Samcheok with associated mine buildings in various conditions along with old mining stockpiles and waste dumps.

The graphitic unit is hosted within biotite schist of the Yongnam Gneiss Complex, near the schist's basal contact with gneiss. Foliation in the schist strikes north-northwest, dipping steeply to the east. Graphitic schist approximately 60-80m thick and can is clearly evident in limonite-hematite stained outcrops in road cuts and open pit exposures over a strike length of at least 700m

Flake graphite grades of 4-5% Cg were recorded in sampling of the graphitic unit by the KMPC (1977). The strike potential of Samcheok project is considered to be significant, the graphitic unit can possibly be traced for approximately 4,000m

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INTERESTS IN EXPLORATION TENEMENTS

HEXAGON Resources Limited held the following interests in exploration tenements as at 23 September 2016.

Project	Tenement	Application Date	Grant Date	Expiry Date
McIntosh WA	E80/4385	7/12/2009	7/04/2011	6/04/2021
	E80/4797	23/05/2013	3/09/2014	2/09/2019
	E80/4814	24/07/2013	3/09/2014	2/09/2019
	E80/3864	29/01/2007	8/04/2013	7/04/2018
	E80/3906	16/03/2007	3/12/2013	2/12/2018
	E80/3907	16/03/2007	3/12/2013	2/12/2018
	E80/3928	17/04/2007	2/06/2014	1/06/2019
	E80/4688	15/02/2012	25/10/2012	24/10/2017
	E80/4732	24/08/2012	14/11/2013	13/11/2018
	E80/4733	28/08/2012	15/11/2013	14/11/2018
	E80/4739	20/09/2012	1411/2013	13/11/2018
	E80/4734	29/08/2012	17/09/2014	16/09/2019
	E80/4825	28/08/2013	3/09/2014	2/09/2019
	E80/4841	3/12/2013	27/08/2014	26/08/2019
	E80/4842	3/12/2013	27/08/2014	26/08/2019
	E80/4879	12/05/2014	23/07/2015	22/07/2020
	E80/4931	16/12/2014	12/08/2015	11/08/2020
Halls Creek WA	P80/1799	9/05/2012	3/09/2013	2/09/2017
	P80/1800	9/05/2012	3/09/2013	2/09/2017
	P80/1801	9/05/2012	3/09/2013	2/09/2017
	E80/4793	17/05/2013	3/11/2014	2/11/2019
	E80/4794	17/05/2013	3/09/2014	2/09/2019
	E80/4795	17/05/2013	10/12/2014	9/12/2019
	E80/4858	23/01/2014	6/05/2016	5/05/2021
	P80/1814	5/09/2013	7/10/2014	6/10/2018
	P80/1815	5/09/2013	7/10/2014	6/10/2018
	P80/1816	5/09/2013	7/10/2014	6/10/2018
	P80/1817	5/09/2013	7/10/2014	6/10/2018
	P80/1818	5/09/2013	7/10/2014	6/10/2018
	P80/1821	31/10/2013	27/08/2014	26/08/2018
South Korea	Dangjin 54-4		30/07/2014	31/07/2021
	Dangjin 56-3		30/07/2014	31/07/2021
	Dangjin 66-1		30/07/2014	31/07/2021
	Dangjin 55-3		7/02/2012	6/02/2032
	Dangjin 65-1		8/12/2011	7/12/2031
	Dangjin 65-2		17/12/2009	16/12/2029
	Dangjin-54-2		23/05/2013	22/05/2020
	Dangjin-55-4		23/05/2013	22/05/2020
	Hongcheon 91-2		15/11/2011	14/11/2031
	Samcheok 09-2		9/01/2013	9/01/2020

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2016 MINERAL RESOURCES AND ORE RESERVES (MROR) STATEMENT

SUMMARY

This statement represents the Mineral Resources and Ore Reserves (MROR) for Hexagon Resources Ltd (Hexagon or the Company) as at 23 September 2016.

This MROR statement has been compiled and reported in accordance with the guidelines of the 2012 edition of the 'Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves' (2012 JORC Code).

This statement is to be reviewed and updated annually in accordance with Section 15 of the 2012 JORC Code. The nominated annual review date for this MROR statement is 30 June.

The information in this statement has been extracted from the relevant reports as indicated below in each Mineral Resource table.

The McIntosh Project Mineral Resource estimates were reported in January 2016 in accordance with the guidelines of the 2012 edition of the JORC Code. The Company is not aware of any new information or data that materially affects the information included in the relevant market releases for these estimates. The Company confirms that all material assumptions and technical parameters underpinning the estimates in the relevant market releases continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented here have not been materially modified.

The Geuman Project Mineral Resource estimates were reported in August 2014 in accordance with the guidelines of the 2012 Edition of the JORC Code. The Company is not aware of any new information or data that materially affects the information included in the relevant market releases for these estimates. The Company confirms that all material assumptions and technical parameters underpinning the estimates in the relevant market releases continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented here have not been materially modified.

MINERAL RESOURCES

As at 23 September 2016 the Company's Mineral Resources are:

McIntosh Project, Western Australia

JORC 2012 compliant indicated and inferred resources for the McIntosh Project. The Emperor deposit contains 8.4 Mt at 4.61% TGC, Longtom contains 7.1 Mt at 4.73% TGC, Wahoo contains 0.9 Mt at 4.40% TGC and Barracuda contains 0.7 Mt at 4.41% TGC for an overall indicated and inferred resource of 17.2Mt grading at 4.63% TGC with 797.2 Kt of contained graphite.

Deposit	JORC Classification	Material Type	Tonnes (Mt)	TGC (%)	Contained Graphite (Tonnes)
EMPEROR	*Indicated*	*Oxide*	-	-	-
		Primary	*3.4*	*4.32*	*145,250*
	Inferred	*Oxide*	-	-	-
		Primary	*5.1*	*4.79*	*240,900*
	Indicated + Inferred	**Oxide + Primary**	**8.4**	**4.61**	**386,150**
LONGTOM	*Indicated*	*Oxide*	-	-	-
		Primary	*4.5*	*4.71*	*210,350*
	Inferred	*Oxide*	*0.5*	*4.51*	*24,350*
		Primary	*2.1*	*4.84*	*103,000*
	Indicated + Inferred	**Oxide + Primary**	**7.1**	**4.73**	**337,700**
WAHOO	*Inferred*	*Oxide*	*0.1*	*4.16*	*3,550*
		Primary	*0.8*	*4.43*	*37,000*
	Indicated + Inferred	**Oxide + Primary**	**0.9**	**4.40**	**40,550**
BARRACUDA	*Inferred*	*Oxide*	*0.3*	*4.49*	*11,350*
		Primary	*0.5*	*4.37*	*21,450*
	Indicated + Inferred	**Oxide + Primary**	**0.7**	**4.41**	**32,800**
Total Resource	**Indicated + Inferred**	**Oxide + Primary**	**17.2**	**4.63**	**797,200**

Notes: 1. Longtom (Target 1) has a 2% TGC lower cut-off grade. Emperor (Target 6), Wahoo (Target 4) and Barracuda (Target 5) have a 3% TGC lower cut-off grade.

2. Rounding may result in differences in total and average grades.

The McIntosh Mineral Resource was most recently reported in January 2016 in accordance with the 2012 JORC Code (refer to ASX Release 'Australia's Largest Flake Graphite Resource' dated 27 January 2016 available at www.hexagonresources.com/category/company-announcements). The original report was prepared by Mr Tony Cormack (CP) in January 2016.

Comparison with previous year's estimate

At the end of the 2015 financial year the McIntosh Project had an indicated and inferred resource (Longtom) in compliance with the 2012 JORC Code. The Longtom deposit contained 7.1 Mt grading at 4.73% TGC. The total resource contained 337.7 Kt of contained graphite at a nominal cutoff grade of 2% TGC. There was no change to the JORC compliant Longtom resource during the 2016 financial year. However, the 2015 McIntosh drilling program enabled three maiden JORC compliant resources to be completed at Emperor, Wahoo and Barracuda for 8.4 Mt, 0.9 Mt and 0.7 Mt respectively. The addition of the Emperor, Wahoo and Barracuda resources during the 2016 financial year has increased Hexagon's indicated and inferred resources by 10.1 Mt resulting in a total resource of 17.2 Mt at 4.63% TGC with 797.2 Kt of contained graphite.

Geumam Project, South Korea

A JORC 2012 compliant maiden indicated and inferred mineral resource estimate of 5.5Mt at 5.4% Cg for 300,000 tonnes of contained graphite at Area B Prospect, Geumam Flake Graphite Project, South Korea was completed in July 2014.

Area	Ore Type	Resource Classification	Tonnes (Mt)	Graphite (% TGC)	Contained Graphite (Tonnes)
GEUMAM (AREA B)	*Primary*	*Indicated*	*1.0*	*6.3*	*65,000*
	Oxidised	*Indicated*	*0.5*	*7.2*	*37,000*
	Primary	*Inferred*	*3.8*	*4.8*	*183,000*
	Oxidised	*Inferred*	*0.1*	*7.8*	*11,000*
	Oxide + Primary	**Total Resource**	**5.5**	**5.4**	**296,000**

Note – Totals may differ due to rounding Mineral Resources reported on a dry in-situ basis

The Geumam Mineral Resource was most recently reported in August 2014 in accordance with the 2012 JORC Code (refer to ASX Release 'Maiden Independent Resource Estimate – Area B Prospect South Korean - Geumam Flake Graphite Project' dated 4 August 2014 available to view at www.lambooresources.com.au). The original report was compiled by Mr Shaun Searle and reviewed by Mr Robert Dennis who is a Member of the Australasian institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Mr Dennis is an employee of RungePincockMinarco Limited.

ORE RESERVES

As at 23 September 2016 the Company had no reportable Ore Reserves in accordance with the 2012 JORC Code.

GOVERNANCE SUMMARY

The Mineral Resource estimates listed in this report are subject to Hexagon's governance arrangements and internal controls. Hexagon's Mineral Resource estimates are derived by Competent Person's (CP) with the relevant experience in the style of mineralization and type of deposit under consideration and to the activity which they are undertaking. The CP carries out reviews of the quality and suitability of the data underlying the Mineral Resource estimate. Hexagon management and board conducts its own internal review of the estimate to ensure that it has been classified and reported in accordance with the 2012 JORC Code.

COMPETENT PERSONS REVIEW

This Mineral Resources and Ore Reserves Statement as a whole has been prepared and approved by Mr Tony Cormack, based on the information and supporting documentation prepared and consented to previously by the Competent Persons referred to above. Mr Cormack is a full-time employee of the Company, and is a Member of the Australasian Institute of Mining and Metallurgy. Mr Cormack has sufficient experience to qualify as a Competent Person as defined in the 2012 Edition for the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Cormack confirmed that the form and context in which the Competent Persons' findings are presented have not been materially modified from the original market announcements. Mr Cormack has approved the Statement as a whole and consents to its inclusion in the Annual Report in the form and context in which it appears.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs during the period.

LIKELY DEVELOPMENTS AND FUTURE OPERATIONS

During the financial year ending 30 June 2016, the Company will continue to advance its existing exploration assets aiming to bring them into production in the near future. The Company's planned activities for the coming year include:

McIntosh

- Resource Upgrade for the McIntosh project
- Pre-feasibility study and Definitive feasibility study
- Definitive Li-ion battery test work
- Airborne Electromagnetic survey of the Marlin and Mahi Mahi prospects
- Ongoing environmental, engineering and metallurgical studies.

South Korea

- Minimal exploration is planned at the company's South Korean assets as the company focusses efforts at McIntosh.

INDEMNIFICATION OF OFFICERS OR AUDITOR

Each of the Directors and the Secretaries of the Company has entered into a Deed with the Company whereby the Company has provided certain contractual rights of access to books and records of the Company and certain indemnification to those Directors and Secretaries.

The Company has insured all of the Directors and Officers of Hexagon Resources Limited. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The Corporations Act 2001 does not require disclosure of the information in these circumstances.

The Company has agreed to indemnify and hold harmless its auditors, BDO Audit Pty Ltd, against any and all losses, claims, costs, expenses, actions, demands, damages, liabilities or any other proceedings whatsoever incurred by the auditors in respect of any claim by a third party arising from or connected to any breach by the Company.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

SHARE OPTIONS

Details of options issued, exercised and expired during the financial year are set out below:

		Movements				
Expiry Date	Exercise Price	1 July 2015	Issued	Exercised	Expired	30 June 2016
15 August 2015	$0.15	4,387,835	-	-	(4,387,835)	-
30 June 2016	$0.20	5,250,000	-	-	(5,250,000)	-
3 March 2018	$0.16162	3,000,000	-	-	-	3,000,000
31 December 2016	$0.08	-	3,000,000	-	-	3,000,000
30 September 2017	$0.12	-	8,331,250	(1,662,500)	-	6,668,750
11 November 2017	$0.08	-	500,000	(50,000)	-	450,000
TOTAL		12,637,835	11,831,250	(1,712,500)	(9,637,835)	13,118,750

Since year end 625,000 options have been exercised and as at the date of this report there were 12,493,750 options on issue.

REMUNERATION REPORT - AUDITED

This report outlines the remuneration arrangements in place for the Directors and key management personnel of Hexagon Resources Limited (the Company).

Remuneration Policy

The performance of the Company depends upon the quality of its Directors and executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and executives.

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and the executive team. The Board of Directors assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash, equity and fringe benefits. It is intended that the manner of payments chosen will be optimal for the recipient without creating undue cost for the Company. Further details on the remuneration of Directors and executives are set out in this Remuneration Report.

The Company aims to reward the executive Directors and key management personnel with a level and mix of remuneration commensurate with their position and responsibilities within the Company. The Board's policy is to align Director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering long-term incentives.

In accordance with best practice corporate governance, the structure of non-executive Director, executive Director and key management personnel remuneration is separate and distinct except that non-executive Directors, as well as executives may participate in incentives involving the issue to them of securities in the Company.

Non-Executive Director Remuneration

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The Company's specific policy for determining the nature and amount of emoluments of board members of the Company is as follows:

In accordance with the Constitution, the existing Shareholders of the Company have determined in general meeting that the maximum non-executive Director remuneration to be $300,000 in total, per annum.

As at 30 June 2016 each non-executive Director was entitled to receive fees of $40,000 (2015 $60,000) per annum and the Chairman $60,000 (2015: $90,000) per annum. On 5 August 2015, the Directors resolved to reduce the amounts payable effective from 1 August 2015 to $40,000 per annum for each non-executive Director and $60,000 per annum for the Chairman. A Director will not be entitled to receive Directors' fees if he or she is employed by the Company in a full-time executive capacity.

A Director may also be paid fees or other amounts as the Directors determine if a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director will also be reimbursed for out of pocket expenses incurred as a result of their Directorship or any special duties.

The remuneration of non-executive Directors for the year ending 30 June 2016 is detailed in Table 1 of this Remuneration Report.

Executive Directors and Key Management Personnel Remuneration

The Company aims to reward the executive Directors and key management personnel with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- reward executives for Company and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

The remuneration of the executive chairman and key management personnel for the year ending 30 June 2016 is detailed in Tables 1 and 2.

Employment Contracts

Agreement with the Chief Executive Officer and Executive Director

On 1 July 2014, the Company and Anthony Cormack entered into an agreement containing the terms and conditions under which he will provide his services to the Company. Mr Cormack was initially appointed a Chief Operating Officer, and became an Executive Director on 17 December 2014. On 16 April 2015 Mr Cormack was appointed as Chief Executive Officer of the Company.

The agreement:

- has no specified term;
- involves the payment to Anthony Cormack of an annual salary of $240,000 plus statutory superannuation and reimbursement of all reasonable business expenses;
- participate in an annual incentive plan (at the discretion of the Board);
- has provision for three months' notice for termination. The Company may terminate this employment agreement by providing three months written notice or providing payment in lieu of the notice period; and
- otherwise contains standard terms relating to confidentiality, conflicts of interest and representations and warranties.

Agreement with the former Managing Director

On 15 March 2012, the Company and Richard Trevillion entered into an agreement containing the terms and conditions under which he will provide his services as chief executive officer of the Company. This agreement was updated on 1 June 2014.

The agreement:

- has no specified term;
- involves the payment to Richard Trevillion of an annual salary of $300,000 plus statutory superannuation and reimbursement of all reasonable business expenses;
- participate in an annual incentive plan (at the discretion of the Board);
- has provision for six months' notice for termination. The Company may terminate this employment agreement by providing 6 months written notice or providing payment in lieu of the notice period; and
- otherwise contains standard terms relating to confidentiality, conflicts of interest and representations and warranties.

Mr Trevillion resigned effective 16 April 2015.

Agreement with the former Chief Technical Officer

On 23 May 2014, the Company and Craig Rugless entered into an agreement containing the terms and conditions under which he will provide his services as chief technical officer of the Company.

The agreement:

- has no specified term;
- involves the payment to Craig Rugless of an annual salary of $175,000 plus statutory superannuation and reimbursement of all reasonable business expenses;
- participate in an annual incentive plan (at the discretion of the Board);
- has provision for three months' notice for termination. The Company may terminate this employment agreement by providing 3 months written notice or providing payment in lieu of the notice period; and
- otherwise contains standard terms relating to confidentiality, conflicts of interest and representations and warranties.

Craig Rugless resigned from the Company on 21 August 2014.

Agreement with Company Secretaries

Since her appointment on 20 November 2014, the Joint Company Secretary and CFO, Ms Leni Stanley, is engaged on an on-going consultancy style agreement for the provision of services as company secretary and chief financial officer. Services are invoiced monthly based on an agreed monthly fee. The contract provides for a three month notice period.

Since his appointment on 20 November 2014, the Joint Company Secretary, Mr Brent Van Staden, is engaged on an on-going consultancy style agreement for the provision of services as company secretary. Services are invoiced monthly based on an agreed monthly fee. The contract provides for a three month notice period. In addition, Mr Van Staden provides legal services which are invoiced based on the services provided.

Agreement with the former Company Secretary

Up until his resignation on 25 November 2014, the Company Secretary and CFO, Mr Paul Marshall, was engaged on an on-going consultancy style agreement for the provision of services as company secretary and chief financial officer. Services were invoiced monthly based on services provided. The contract provided for a three month notice period.

Details of Directors and Key Management Personnel

Directors - Current

Name	Position	Period of Directorship
Neville Miles	Non-Executive Chairman	Appointed 9 December 2014
Anthony Cormack	Executive Director and CEO	Appointed 17 December 2014
Garry Plowright	Non-Executive Director	Appointed 10 June 2015
Charles Whitfield	Non-Executive Director	Appointed 22 August 2016

Directors - Past

Name	Position	Period of Directorship
Bruce Preston	Non-Executive Chairman	Appointed 6 January 2014. Resigned 9 December 2014
Richard Trevillion	Managing Director and CEO	Appointed 20 December 2010. Resigned 16 April 2015
Wenzhao Xie	Non-Executive Director	Appointed 1 August 2014. Resigned 19 December 2014
Alvars Lee Hon Nam	Non-Executive Director	Appointed 11 September 2014. Resigned 26 May 2015
Greg Baynton	Non-Executive Director	Appointed 6 January 2014. Resigned 11 September 2014

Key Management Personnel - Current

Name	Position	Detail
Leni Stanley	Joint Company Secretary & CFO	Commenced 20 November 2014
Brent Van Staden	Joint Company Secretary	Commenced 20 November 2014

Key Management Personnel - Past

Name	Position	Detail
Paul Marshall	Company Secretary	Commenced 15 June 2012. Ceased 25 November 2014
Craig Rugless	Chief Technical Officer	Commenced in position 23 May 2014. Ceased 21 August 2014

Key management personnel are those directly accountable and responsible for the operational management and strategic direction of the Company and the Consolidated Entity.

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Table 1: Director Remuneration

2016	Short Term		Long Term	Post-Employment		Share-based Payments			
	Salary & Fees	Cash Bonus	Leave Entitle-ments	Superan-nuation	Retirement benefits	Options	Total	Performance Related %	% consisting of options
	$	$	$	$	$	$	$		
Directors									
Neville Miles	62,500	-	-	-	-	2,401	64,901	-	4%
Anthony Cormack	240,000	-	-	22,800	-	13,914	276,714	-	5%
Garry Plowright	45,214	-	-	4,295	-	2,401	51,910	-	5%
Charles Whitfield(1)	-	-	-	-	-	-	-		-
	347,714	-		27,095	-	18,716	393,525		

(1) Charles Whitfield was appointed Non-Executive Director on 22 August 2016.

2015	Short Term		Long Term	Post-Employment		Share-based Payments			
	Salary & Fees	Cash Bonus	Leave Entitle-ments	Superan-nuation	Retirement benefits	Options	Total	Performance Related %	% consisting of options
	$	$	$	$	$	$	$		
Directors									
Neville Miles(1)	50,671	-	-	-	-	-	50,671	-	-
Anthony Cormack(2)	240,000	-	-	21,886	-	-	261,886	-	-
Garry Plowright(3)	3,333	-	-	-	-	-	3,333	-	-
Richard Trevillion(4)	275,000	-	-	26,125	-	-	301,125	-	-
Alvars Lee Hon Nam(5)	46,511	-	-	-	-	-	46,511	-	-
Wenzhao Xie(6)	24,917	-	-	-	-	-	24,917	-	-
Bruce Preston(7)	45,000	-	-	-	-	-	45,000	-	-
Greg Baynton(8)	12,639	-	-	-	-	-	12,639	-	-
	698,071	-	-	48,011	-	-	746,082		

(1) Neville Miles was appointed Non-Executive Director on 9 December 2014.
(2) Anthony Cormack was a fulltime employee for the whole year and was appointed Director on 17 December 2014.
(3) Garry Plowright was appointed Non-Executive Director on 10 June 2015.
(4) Richard Trevillion resigned as Managing Director and CEO on 16 April 2015.
(5) Alvars Lee Hon Man was appointed Director on 11 September 2014 and resigned on 26 May 2015.
(6) Wenzhao Xie was appointed Director on 1 August 2014 and resigned 19 December 2014.
(7) Bruce Preston resigned on 9 December 2014.
(8) Greg Baynton resigned on 11 September 2014.

Table 2: Remuneration of key management personnel

2016	Short Term		Long Term	Post-Employment		Share-based Payments			
	Salary & Fees	Cash Bonus	Leave Entitle-ments	Superan-nuation	Retirement benefits	Options	Total	Performance Related %	% consisting of options
	$	$	$	$	$	$	$		
Key Management Personnel									
Leni Stanley (1)	24,996	-	-	-	-	598	25,594	-	2%
Brent Van Staden (2)	22,740	-	-	-	-	299	23,039	-	1%
	47,736	-	-	-	-	897	48,633		

(1) Leni Stanley was appointed Joint Company Secretary on 20 November 2014 and also provides accounting services.
(2) Brent Van Staden was appointed Joint Company Secretary on 20 November 2014 and also provides legal services.

2015	Short Term		Long Term	Post-Employment		Share-based Payments			
	Salary & Fees	Cash Bonus	Leave Entitle-ments	Superan-nuation	Retirement benefits	Options	Total	Performance Related %	% consisting of options
	$	$	$	$	$	$	$		
Key Management Personnel									
Leni Stanley [1]	16,664	-	-	-	-	-	16,664		
Brent Van Staden [2]	13,179	-	-	-	-	-	13,179		
Craig Rugless [3]	35,208	-	11,396	4,427	-	-	51,031		
Paul Marshall [4]	25,000	-	-	-	-	-	25,000		
	90,051	-	11,396	4,427	-	-	105,874	-	-

(1) Leni Stanley was appointed Joint Company Secretary on 20 November 2014.
(2) Brent Van Staden was appointed Joint Company Secretary on 20 November 2014.
(3) Craig Rugless ceased employment on 21 August 2014.
(4) Paul Marshall ceased as Company Secretary on 25 November 2015.

Termination benefits

No termination benefits were paid during the 2016 financial year (2015: Nil).

Bonuses

No proportion of the remuneration of any key management personnel was performance based. No key management personnel received cash bonuses, performance related bonuses, termination benefits or non-cash benefits during the year or comparative year.

Equity instruments issued as part of remuneration

Following shareholder approval 3,000,000 options were issued to Directors and 150,000 options were issued to other key management personnel as part of their remuneration in the 2016 financial year (2015: Nil).

Table 3: Director/Key Management Personnel shareholdings (number of shares)

2016	Opening Balance 1 July 2015	Additions	Options Exercised	Net Change Other	Closing Balance 30 June 2016
Directors					
Neville Miles	1,125,139	979,500	-		2,104,639
Anthony Cormack	168,974	185,385	-	-	354,359
Garry Plowright	-	500,000	-	-	500,000
Key Management Personnel					
Leni Stanley	-	-	-	-	-
Brent Van Staden	-	-	-	-	-
Total	1,294,113	1,664,885	-	-	2,958,998

Table 4: Director/Key Management Personnel option holdings (number of options)

2016	Opening Balance 1 July 2015	Additions	Options Exercised	Net Change Other	Closing Balance 30 June 2016
Directors					
Neville Miles	-	500,000	-	-	500,000
Anthony Cormack	-	2,000,000	-	-	2,000,000
Garry Plowright	-	500,000	-	-	500,000
Key Management Personnel					
Leni Stanley	-	100,000	-	-	100,000
Brent Van Staden	-	50,000	-	-	50,000
Total	-	3,150,000	-	-	3,150,000

Details of ordinary shares the Company provided as a result of the exercise of the options by key management personnel of the Group are set out below. No amounts were unpaid on any shares issued on the exercise of options.

Name	Date of exercise	Number of shares issued	Amount paid per share	Value at exercise date
Neville Miles	-	-	-	-
Anthony Cormack	-	-	-	-
Garry Plowright	-	-	-	-
Leni Stanley	-	-	-	-
Brent Van Staden	-	-	-	-
Total	-	-	-	-

Share-based Compensation Benefits

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, based on an estimate of the number of options likely to vest, and the amount is included in the remuneration tables above. The fair value of the equity-settled share options is estimated as at the date of grant using a binomial or other appropriate model taking into account the terms and conditions upon which the options were granted.

Options granted under the ESOP plan carry no dividend or voting rights until the options vest, are exercised and converted to ordinary shares whereupon those ordinary shares carry dividend and voting rights consistent with all other ordinary shares of the Company.

2016	Number of options granted during the year	Value of options at grant date [1] $	Number of options vested during the year
Directors			
Neville Miles	500,000	$0.0129	-
Anthony Cormack	2,000,000	$0.0129	-
Garry Plowright	500,000	$0.0129	-
Key Management Personnel			
Leni Stanley	100,000	$0.1016	100,000
Brent Van Staden	50,000	$0.1016	50,000
Total	3,150,000		150,000

[1] The value at grant date calculated in accordance with AASB 2 Share-based Payment of options granted during the year as part of remuneration.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above.

Fair value of options granted

The Board has a policy prohibiting directors or executives entering into contracts to hedge their exposure to options or shares granted as part of their remuneration. The Board periodically requests directors and executives confirm they are in compliance with this policy.

The fair value of the equity-settled share options is estimated as at the date of grant using a binomial or other appropriate model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used in the valuation of the options granted in 2016 and 2015:

	2016	2015
Expected volatility	80-100%	80-100%
Risk-free rate average	1.60-2.10%	1.60-2.10%
Expected life average (years)	1.5 years	1.1 years
Dividend yield	nil	nil
Weighted average exercise price ($)	$0.08	$0.20
Share price at grant date ($)	$0.055-$0.175	$0.11

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

Other transactions with key management personnel

PEI International Limited, an entity associated with Alvars Lee Hon Nam, provided consulting services totaling $Nil (2015: $126,078) to the Company during the year.

Relationship between remuneration and Company performance

The factors that are considered to affect shareholder return over the last 5 years are summarised below:

Measures	2016	2015	2014	2013	2012
Share price at end of financial year ($)	0.15	0.06	0.90	0.08	0.38
Market capitalisation at end of financial year ($M)	35.07	10.27	107.97	6.37	25.52
Profit/(loss) for the financial year ($)	(2,570,062)	(5,693,038)	(1,888,768)	(5,215,600)	(4,736,892)
Director and Key Management Personnel remuneration	442,158	851,956	688,394	646,998	1,129,690

Given that the remuneration is commercially reasonable, the link between remuneration, Company performance and shareholder wealth generation is tenuous, particularly in the exploration and development stage of a minerals company. Share prices are subject to the influence of international metal prices and market sentiment towards the sector and increases or decreases may occur independently of executive performance or remuneration.

The Company may issue options to provide an incentive for key management personnel which, it is believed, is in line with industry standards and practice and is also believed to align the interests of key management personnel with those of the Company's shareholders.

The Company did not engage remuneration consultants during the 2016 financial year to review management and other staff remuneration packages.

End of Remuneration Report

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the group are important.

The Board of Directors has considered the position and are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Board of Directors to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, BDO Audit Pty Ltd and its related practices:

	2016	2015
	$	$
Taxation services	16,345	36,468
Independent Accountants Report for Prospectus	15,000	20,000
Technical Advice including R&D Claims	13,000	4,000
Due Diligence (BDO Financial Services Limited – Hong Kong)	-	82,588
Total	**44,345**	**143,056**

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Directors' Report and is attached on page 34.

EVENTS AFTER BALANCE SHEET DATE

Research and development income tax concession

Since 30 June 2016 the entity has received $602,000 for research and development income tax concession.

Options

Following the end of the financial year 625,000 unlisted options have been exercised.

Signed in accordance with a resolution of the Board of Directors

Anthony Cormack
Director
28 September 2016

HEXAGON
resources limited
High Purity Flake Graphite for New Technologies

BDO

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DECLARATION OF INDEPENDENCE BY T R MANN TO THE DIRECTORS OF HEXAGON RESOURCES LIMITED

As lead auditor of Hexagon Resources Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Hexagon Resources Limited and the entities it controlled during the period.

T R Mann
Director

BDO Audit Pty Ltd

Brisbane, 28 September 2016

HEXAGON resources limited
High Purity Flake Graphite for New Technologies

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2016

	Note	2016 $	2015 $
Interest revenue		6,878	15,073
Other revenue		8,227	77
Unrealised FX on Hengda Deposit	2	99,879	383,905
Fair value gain (loss) on Lind options derivative liability	12	(128,182)	185,180
Employee expenses		(333,220)	(728,419)
Corporate and administration expenses		(739,444)	(1,323,476)
Exploration costs expensed		-	(27,596)
Impairment of Exploration costs		(1,384,321)	-
Due diligence expenses	2	-	(1,012,545)
Provision for non-recovery of Hengda Deposit	2	(99,879)	(2,593,362)
Fair value loss on financial liability at fair value through profit or loss	12	-	(591,875)
Loss before income tax		(2,570,062)	(5,693,038)
Income tax		-	-
Loss after income tax expense		(2,570,062)	(5,693,038)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	15	3,529	20,101
Other comprehensive income for the year, net of tax		3,529	20,101
Total comprehensive income		2,566,533	(5,672,937)
Loss per Share		*Cents*	*Cents*
Basic and diluted loss per share	5	(1.2)	(4.1)
Basic and diluted loss per share	5	(1.2)	(4.1)

The Consolidated Statement of Comprehensive Income should be read in conjunction with the Notes to the Financial Statements.

HEXAGON resources limited
High Purity Flake Graphite for New Technologies

Consolidated Balance Sheet
As at 30 June 2016

	Note	30 June 2016 $	30 June 2015 $
CURRENT ASSETS			
Cash and cash equivalents	7	1,000,320	478,289
Trade and other receivables	8	22,100	150,539
Other assets	9	6,535	14,688
TOTAL CURRENT ASSETS		1,028,955	643,516
NON-CURRENT ASSETS			
Trade and other receivables	8	23,141	59,220
Plant and equipment	10	20,553	54,319
Exploration and evaluation assets	11	8,036,814	7,587,412
TOTAL NON-CURRENT ASSETS		8,080,508	7,700,951
TOTAL ASSETS		9,109,463	8,344,467
CURRENT LIABILITIES			
Trade and other payables	12	289,514	430,415
Provisions	13	39,945	37,341
TOTAL CURRENT LIABILITIES		329,459	467,756
TOTAL LIABILITIES		329,459	467,756
NET ASSETS		8,780,004	7,876,711
EQUITY			
Share capital	14	48,937,564	44,556,723
Reserves	15	74,108	981,594
Accumulated losses		(40,231,668)	(37,661,606)
TOTAL EQUITY		8,780,004	7,876,711

The Consolidated Balance Sheet should be read in conjunction with the Notes to the Financial Statements.

HEXAGON resources limited
High Purity Flake Graphite for New Technologies

Consolidated Statement of Changes in Equity
For the year ended 30 June 2016

Consolidated Entity	Share Capital	Reserves	Accumulated Losses	Total
	$	$	$	$
Balance at 1 July 2014	38,592,557	2,071,225	(31,968,568)	8,695,214
Transactions with owners in their capacity as owners				
Issue of share capital	5,042,898	-	-	5,042,898
Share issue costs	(250,607)	-	-	(250,607)
Exercise of performance rights	1,171,875	(1,171,875)	-	-
Issue of options	-	62,143	-	62,143
Total	5,964,166	(1,109,732)	-	4,854,434
Comprehensive income				
Loss after income tax	-	-	(5,693,038)	(5,693,038)
Other comprehensive income	-	20,101	-	20,101
Total comprehensive income	-	20,101	(5,693,038)	(5,672,937)
Balance at 30 June 2015	44,556,723	981,594	(37,661,606)	7,876,711
Balance at 1 July 2015	44,556,723	981,594	(37,661,606)	7,876,711
Transactions with owners in their capacity as owners				
Issue of share capital	3,387,553	-	-	3,387,553
Share issue costs	(147,712)	-	-	(147,712)
Exercise of options	203,500	-	-	203,500
Exercise of performance rights	937,500	(937,500)	-	-
Issue of options	-	26,485	-	26,485
Total	4,380,841	(911,015)	-	3,469,826
Comprehensive income				
Loss after income tax	-	-	(2,570,062)	(2,570,062)
Other comprehensive income	-	3,529	-	3,529
Total comprehensive income	-	3,529	(2,570,062)	(2,566,533)
Balance at 30 June 2016	48,937,564	74,108	(40,231,668)	8,780,004

The Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

HEXAGON resources limited
High Purity Flake Graphite for New Technologies

Consolidated Statement of Cash Flows
For the year ended 30 June 2016

	Note	2016 $	2015 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,072,240)	(1,921,745)
Payments for due diligence activities		-	(1,012,545)
Interest received		6,878	15,073
Other revenue		8,227	-
Net cash used in operating activities	16	(1,057,135)	(2,919,217)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(2,557)	(49,773)
Payments for exploration and evaluation		(1,964,826)	(2,897,081)
Government grants in relation to exploration assets		-	856,696
Drilling grants received in relation to exploration assets		98,403	-
Payments for Hengda Deposit		-	(2,209,456)
Receipt of security deposit refund		37,529	34,539
Payments for security deposits		(1,449)	(13,836)
Net cash used in investing activities		(1,832,901)	(4,278,911)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		3,591,055	4,426,429
Share issue costs		(178,988)	(250,607)
Proceeds from borrowings		-	900,000
Repayment of borrowings		-	(786,477)
Net cash provided by financing activities		3,412,067	4,389,345
Net increase/ (decrease) in cash and cash equivalents		522,031	(2,808,783)
Cash and cash equivalents at the beginning of the year		478,289	3,287,072
Net foreign exchange differences		-	-
Cash and cash equivalents at the end of the year	7	1,000,320	478,289

The Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

This financial report covers the Consolidated Entity of Hexagon Resources Limited (the "Company") and its controlled entities (together referred to as the "Consolidated Entity" or "Group"). Hexagon Resources Limited is a listed public company, incorporated and domiciled in Australia. The Consolidated Entity is a for-profit entity for the purpose of preparing the financial statements.

The following is a summary of the material accounting policies adopted by the Consolidated Entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Operations and principal activities
The principal activity of the Consolidated Entity is mineral exploration.

Currency
The financial report is presented in Australian dollars, rounded to the nearest dollar, which is the functional currency of the Parent Entity.

Authorisation of financial report
The financial report was authorised for issue on 28 September 2016.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001.*

Compliance with IFRS
The consolidated financial statements of the Hexagon Resources Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

Historical cost convention
The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Critical accounting estimates and judgements
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies.

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on historical experiences and the best available current information on current trends and economic data, obtained both externally and within the Consolidated Entity. These estimates and judgements made assume a reasonable expectation of future events but actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision effects only that period or in the period and future periods if the revision affects both current and future periods. There were no key adjustments during the year which required estimates and/or judgements.

Key estimates – impairment
The Consolidated Entity assesses impairment at each reporting date by evaluating conditions specific to the Consolidated Entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

Key judgements – Exploration & evaluation expenditure
The Consolidated Entity performs regular reviews on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. These reviews are based on detailed surveys and analysis of drilling results performed to balance date.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Going Concern
The Consolidated Entity incurred a net loss of $2,570,062 for the year ended 30 June 2016. As at 30 June 2016 the Consolidated Entity had cash reserves of $1,000,320, net current assets of $699,496 and net assets of $8,780,004. The Consolidated Entity has not generated revenues from operations during the year.

The ability of the Consolidated Entity to continue as a going concern is principally dependent upon one or more of the following:

- the ability of the company to raise additional capital in the future; and
- the successful exploration and subsequent exploitation of the consolidated entity's tenements.

These conditions give rise to material uncertainty which may cast significant doubt over the Consolidated Entity's ability to continue as a going concern.

The directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- To date the Consolidated Entity has funded its activities through issuance of equity securities and it is expected that the Consolidated Entity will be able to fund its future activities through further issuances of equity securities; and
- The Directors believe there is sufficient cash available for the Consolidated Entity to continue operating until it can raise sufficient further capital to fund its ongoing activities.

Should the Consolidated Entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Consolidated Entity be unable to continue as a going concern.

Accounting policies

(a) Principles of Consolidation

Subsidiaries are all entities (including structured entities) over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Consolidated Entity.

Intercompany transactions, balances and unrealised gains on transactions between Consolidated Entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of comprehensive income, statement of changes in equity and balance sheet respectively.

Business combinations
Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Principles of Consolidation (continued)

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is re-measured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed in profit or loss.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

(b) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

The charge for current income tax expense is based on the profit/(loss) for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantively enacted by the balance date.

Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Exploration and Evaluation Assets)

Exploration costs

Following tenement acquisition exploration and evaluation expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.
Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area of interest.

Costs of site restoration are provided over the life of the project from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with local laws and regulations and clauses of the permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(d) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed periodically by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Consolidated Entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation
The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the Consolidated Entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of asset are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	33%
Motor Vehicles	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, Plant and Equipment (continued)

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to accumulated losses.

(e) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, is transferred to entities in the Consolidated Entity, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight line basis over the lease term. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

(f) Financial Instruments

Recognition and initial measurement
Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Consolidated Entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement
Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Consolidated Entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets where they are expected to mature more than 12 months after the end of the reporting period. All other investments are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (gains or losses) recognised in other comprehensive income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in non-current assets where they are expected to be sold more than 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment
At the end of each reporting period, the Consolidated Entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

Financial guarantees
Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability-weighted discounted cash flow approach. The probability has been based on:

– the likelihood of the guaranteed party defaulting in a year period;
– the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
– the maximum loss exposed if the guaranteed party were to default.

Derecognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of Assets

At the end of each reporting period, the Consolidated Entity assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(h) Employee Entitlements

Provision is made for the Consolidated Entity's liability for employee entitlements arising from services rendered by employees to the end of the reporting period. Employee entitlements that are expected to be settled within 1 year have been measured at the amounts expected to be paid when the liability is settled. Employee entitlements payable later than 1 year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Equity-settled compensation
Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. In relation to options issued, the corresponding amount is recorded to the share based payment reserve. The fair value of share based payments is determined using the Black-Scholes pricing model. The volatility input in the pricing model is determined by the historical volatility of the Company's share price over a similar period to the exercise period.

The total amount to be expensed is determined by reference to the fair value of the equity instruments granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of equity instruments that are expected to vest based on the non-market performance vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

(i) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 3 months or less.

(j) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Interest revenue is recognised using the effective interest rate method.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(l) Share Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Consolidated Entity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(m) Earnings per Share

The Consolidated Entity presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(n) Comparative Figures

When required by accounting standards comparative figures have been adjusted to conform to changes in presentation for the current financial year. Comparative figures have also been changed where classifications of income and expenditure items have been altered from the prior year as a result of a review by Directors. The new classifications have been made to reflect a more accurate view of the Consolidated Entity's operations.

(o) Convertible notes

Convertible notes are recognised initially at fair value and associated transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition any changes in fair value at each balance date are recognised in profit or loss.

(p) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to exploration and evaluation assets that have been capitalised are recognised by deducting the grant received from the carrying amount of the exploration and evaluation asset recognised on the balance sheet.

(q) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Trading derivatives are classified as a current asset or liability.

(r) New Accounting Standards and Interpretations

The Consolidated Entity adopted all new Accounting Standards and Interpretations effective for the year ended 30 June 2016. There were no material impacts on the financial statements of the Consolidated Entity as a result of adopting these standards.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) New Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods. The Consolidated Entity has decided against early adoption of these standards. The Consolidated Entity's assessment of the impact of these new standards and interpretations is set out below:

AASB 9: Financial Instruments and associated amending standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and de-recognition requirements for financial instruments and simplified requirements for hedge accounting. The key changes that may affect the consolidated entity on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives and the irrevocable election to recognise gains and losses on investment in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the in the ability to hedge risk, particularly with respect to hedges of non-financial items.

Although it is anticipated that the adoption of AASB 9 may have an impact of the Consolidated Entity’s financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

There are no other standards that are not yet effective and that would be expected to have a material impact on the group in the current or future reporting periods and on foreseeable future transactions.

	2016 $	2015 $

NOTE 2 LOSS BEFORE INCOME TAX

Loss before income tax includes the following specific expenses / (income)		
Defined contributions superannuation expense – related party	53,041	32,212
Rental expense relating to operating leases - Minimum lease payments	11,946	94,091
Foreign exchange (gains) / losses (a)	99,879	383,905
Depreciation and amortisation	35,952	48,965
Exploration expensed		27,596
Impairment of Exploration costs	1,384,,321	-
Due diligence expenses (b)	-	(1,012,545)
Provision for non-recovery of Hengda Deposit (c)	(99,879)	(2,593,362)

(a) Unrealised foreign exchange gain

During the prior financial year the company paid a US$2 million deposit in respect of the Hengda Transaction. This deposit was revalued at balance date at the relevant foreign exchange rate resulting in an unrealised foreign exchange gain. Refer (c) below for further details on the Hengda receivable.

(b) Due diligence and recovery expenses

During the prior year the company incurred substantial costs associated with the due diligence and recovery process relating to the Hengda Transaction.

(c) Provision for non-recovery of Hengda Deposit

In July 2015, Hexagon entered into a Framework Agreement for a proposed merger with China Sciences Hengda Graphite Co ("Hengda") and Mr Wang Fengjun (Mr Wang), General Manager and major shareholder of Hengda, and paid a US$2 million deposit ("Hengda Deposit"). Hexagon has subsequently terminated its contractual arrangements relating to its proposed merger with Hengda and does not intend to proceed with that transaction.

Since then, Hexagon engaged lawyers in Hong Kong to send a letter of demand to Mr Wang and Hengda for repayment of the Hengda Deposit. Despite the agreement between Hexagon, Hengda and Wang, Hengda and Wang have failed to repay the Hengda Deposit within the time stipulated in Hexagon's demand.

Hexagon has therefore engaged Hong Kong and Chinese lawyers to advise Hexagon on its legal rights, regulatory requirements and procedures in relation to the termination of the merger transaction and specifically, its ability to recover the Hengda Deposit. This advice has not yet been finalised, as there are numerous regulatory issues that must be addressed first.

At the same time, Hexagon is pursuing a negotiated settlement with the current management of Hengda, with a view to agreeing terms under which Hengda will repay the Hengda Deposit.

Pending finalisation of Hexagon's legal advice, the Directors cannot guarantee that Hexagon will successfully recover the Hengda Deposit by legal process, but its Directors are pursuing both legal advice and discussions with Hengda's management, with that aim in mind. Consequently Hexagon has recorded a provision for non-recovery of the Hengda Deposit to the value of A$2,693,241 in the Financial Report to 30 June 2016 (2015: $2,593,362).

	2016 $	2015 $
NOTE 3 INCOME TAX (continued)		
Accounting profit /(loss) before income tax	(2,570,062)	(5,693,038)
Tax at the Australian tax rate of 30% (2015: 30%)	771,019	1,707,911
Non-deductible expenses	(48,836)	72,039
Unrealised foreign exchange losses	-	115,172
Capital costs	-	(303,764)
Impairment of exploration asset	(300,000)	-
Deferred tax assets not bought to account	(422,183)	(1,591,358)
Income tax refund	-	-
Recognised deferred tax assets		
Unused tax losses	1,978,330	276,744
Deductible temporary differences	1,189,577	1,302,274
	3,167,908	1,579,018
Recognised deferred tax liabilities		
Assessable temporary differences	3,167,908	1,579,018
	3,167,908	1,579,018
Net deferred tax recognised		-
Unrecognised temporary differences and tax losses		
Unused tax losses and temporary differences for which no deferred tax asset has been recognised	2,164,347	2,772,271

	2016	2015
	$	$
NOTE 4 AUDITOR'S REMUNERATION		
BDO Audit Pty Ltd		
Remuneration paid or payable for:		
- auditing and reviewing the financial reports	32,266	34,000
Non audit services:		
- Independent Accountants Report for prospectus – BDO Audit Pty Ltd	15,000	20,000
- Technical advice including R&D claims – BDO Audit Pty Ltd	13,000	4,000
- Taxation services – BDO Audit Pty Ltd	16,345	36,468
	76,611	94,468
Network firms of BDO Audit Pty Ltd		
Non audit services:		
- Due diligence	-	82,588
	-	82,588
Total auditors' remuneration	76,611	177,056

NOTE 5 LOSS PER SHARE (LPS)

Loss used to calculate basic and dilutive LPS	(2,570,062)	(5,693,038)
	2016	**2015**
	#	#
Weighted average number of ordinary shares outstanding during the year	216,635,509	138,944,913
Weighted average number of dilutive instruments	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating LPS and dilutive LPS	216,635,509	138,944,913

NOTE 6 DIVIDENDS & FRANKING CREDITS

There were no dividends paid or recommended during the financial year. There are no franking credits available to the shareholders of the Company.

NOTE 7 CASH & CASH EQUIVALENTS

Cash on hand and at bank	1,000,320	478,289

NOTE 8 TRADE & OTHER RECEIVABLES

Current		
Other receivables	22,100	150,539
Hengda Deposit	2,693,241	2,593,362
Provision for non-recovery of Hengda Deposit (refer note 2 (c))	(2,693,241)	(2,593,362)
Other receivables	22,100	150,539
Non-current		
Other receivables	23,141	59,220

	2016 $	2015 $

NOTE 9 OTHER ASSETS

Prepaid expenditure	6,535	14,688

NOTE 10 PLANT AND EQUIPMENT

Plant and Equipment		
At cost	110,614	108,162
Accumulated depreciation	(92,971)	(62,895)
	17,643	45,267
Motor Vehicles		
At cost	36,002	35,897
Accumulated depreciation	(33,092)	(26,845)
	2,910	9,052
Total cost	146,616	144,059
Total accumulated depreciation	(126,063)	(89,740)
Total plant and equipment	20,553	54,319

Movements in carrying amounts

	Plant and equipment $	Motor Vehicles $	Total $
Balance at 1 July 2014	40,852	21,958	62,810
Additions	49,773	-	49,773
Foreign exchange movements	(6,694)	(2,605)	(9,299)
Depreciation	(38,664)	(10,301)	(48,965)
Balance at 30 June 2015	45,267	9,052	54,319
Balance at 1 July 2015	45,267	9,052	54,319
Additions	2,084	-	2,084
Foreign exchange movements	91	11	102
Depreciation	(29,799)	(6,153)	(35,952)
Balance at 30 June 2016	17,643	2,910	20,553

	2016 $	2015 $

NOTE 11 EXPLORATION AND EVALUATION ASSETS

Exploration expenditure capitalised		
Balance at the beginning of the year	7,587,412	5,747,101
Exploration expenditure during the year	1,833,723	2,795,410
Impairment of exploration assets	(1,384,321)	-
Research and development grants relating to exploration expenditure	-	(955,099)
	8,036,814	7,587,412

Recoverability of the carrying amount of exploration assets is dependent on the successful development and commercial exploitation of areas of interest, and the sale of minerals or the sale of the respective areas of interest.

	2016 $	2015 $
NOTE 12 TRADE & OTHER PAYABLES &		
Trade & other payables		
Trade payables	49,740	253,632
Derivative liability (a)	171,788	43,606
Other payables and accrued expenses	67,986	133,177
	289,514	430,415

Convertible Notes		
Unsecured:		
Convertible notes (a)	-	-
	-	-

(a) The terms of the convertible notes and options are as follows:

Issue Date:	9 January 2015
Maturity Date:	9 January 2016
Note Face Value:	$1,150,000
	The face value of the note is a 15% premium over the funded amount of $1,000,000 and the Company paid the note holder a $100,000 fee in cash on receipt of the funds.
Repayment:	The Lind Note was repaid on 26 June 2015.
	The Lind Note is repayable by equal monthly payments over a 12 month period from the end of February 2015. Each monthly repayment can be made, at Hexagon's option, either through cash or shares ("Repayment Shares") or a combination of both.
	If the Company elects to repay the whole or part of the monthly payments in cash, the repayment amount will carry a premium of 2.5% of the relevant repayment amount. If the Company elects to repay via shares, the Repayment shares will be priced at 90% of the average of three daily volume weighted average prices (VWAP) chosen by Lind during a specified period prior to each issue of shares.
	Hexagon can repay the full outstanding face value of the Convertible Note based on a 2.5% premium and Lind would have the right upon such repayment to convert an amount equal to 25% of the face value of the Convertible Note at that time into equity at the premium conversion price which is equal to 130% of the Average of the VWAP during the 20 trading days prior to the Funding Agreement being signed ("Premium Conversion Price").
	After a period of 60 days from the initial drawdown, Lind has the option to convert any amounts outstanding under the Funding Agreement into ordinary shares at the Premium Conversion Price ("Conversion shares").
Lind Options:	In conjunction with the convertible notes the note holder was issued with 3,000,000 unlisted options to acquire shares with an exercise price equal to the Premium Conversion Price or 130% of the average of the daily VWAPs per share during the twenty (20) consecutive Trading Days immediately prior to 28 February 2015 and exercisable 36 months from the date of issue.
	The exercise price of the options was determined to be $0.16 cents per share and the expiry date is 3 March 2018.
Interest	The convertible notes are interest free.

	2016	2015

	$	$

NOTE 12 TRADE & OTHER PAYABLES (continued)

The convertible notes have been accounted for during the year as follows:

Proceeds received	-	900,000
Option derivative liability at fair value [1]	-	(228,786)
Other equity securities – value of options issued (refer note 15)	-	(62,143)
	-	609,071
Net changes in fair value of financial liabilities at fair value through profit or loss	-	591,875
Repayment of convertible note – shares	-	(414,469)
Repayment of convertible note – cash	-	(786,477)
Convertible note liability – 30 June	-	-

[1] The Lind Options were initially recognised at their fair value of $228,786 in accordance with the accounting policy in Note 1 (q). During the year a fair value loss on Lind options derivative liability of $128,182 (2015 gain $185,180) has been recognised in profit or loss resulting in a closing value of $171,788 as at 30 June 2016 (2015: $43,606).

NOTE 13 PROVISIONS

Employee entitlements	39,945	37,341

NOTE 14 SHARE CAPITAL

Fully paid ordinary shares	48,937,564	44,556,723

Ordinary Shares

	2016	2015	2016	2015
	#	#	$	$
At the beginning of the year	171,211,687	119,961,830	44,556,723	38,592,557
Share issued under rights issue at $0.06 per share [1]	34,242,560	-	2,054,553	-
Share placement at $0.08 per share [2]	16,662,500	-	1,333,000	-
Exercise of options [3]	1,712,500	1,330,000	203,500	199,500
Shares issued on conversion of Tranche 2 Performance Rights [4]	10,000,000		937,500	
Share placement at $0.90 per share [5]	-	2,421,032	-	2,178,929
Shares issued on conversion of Tranche 1 Performance Rights [6]	-	12,500,000	-	1,171,875
Share issued as repayment of a convertible note [7]	-	4,498,825	-	414,469
Share placement at $0.10 per share [8]	-	10,500,000	-	1,050,000
Share placement at $0.06 per share [9]	-	20,000,000	-	1,200,000
Share issue expenses	-	-	(147,712)	(250,607)
At reporting date	233,829,247	171,211,687	48,937,564	44,556,723

1 2016: 34,242,560 ordinary fully paid shares were issued at $0.06 per share through a rights issue.
2 2016: 16,662,500 ordinary fully paid shares were issued at $0.08 per share through a share placement. One free option exercisable at $0.12 each expiring on 30 September 2017 was issued for every two shares allotted in the share placement, refer below for further details.
3 2016: 1,662,500 ordinary fully paid shares were issued at $0.12 on the exercise of options and 50,000 ordinary fully paid shares were issued at $0.08 on the exercise of options.
2015: 1,330,000 ordinary fully paid shares were issued at $0.15 on the exercise of options.
4 2016: 10,000,000 ordinary fully paid shares were issued on conversion of Tranche 2 Performance Rights..
5 2015: 2,421,032 ordinary fully paid shares were issued at $0.90 per share through a share placement.
6 2015: 12,500,000 ordinary fully paid shares were issued on conversion of Tranche 1 Performance Rights.
7 2015: 4,498,825 ordinary fully paid shares were issued as part repayment of a convertible note.
8 2015: 10,500,000 ordinary fully paid shares were issued at $0.10 per share through a share placement. One free option exercisable at $0.20 each expiring on 30 June 2016 was issued for every two shares allotted in the share placement, refer below for further details.
9 2015: 20,000,000 ordinary fully paid shares were issued at $0.06 per share through a share placement.

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

Options

Details of options issued, exercised and expired during the financial period are set out below:

2016		Movements				
Expiry Date	Exercise Price	1 July 2015	Issued	Exercised	Expired	30 June 2016
15 August 2015	$0.15	4,387,835	-	-	(4,387,835)	-
30 June 2016	$0.20	5,250,000	-	-	(5,250,000)	-
3 March 2018	$0.16162	3,000,000	-	-	-	3,000,000
31 December 2016	$0.08	-	3,000,000	-	-	3,000,000
30 September 2017	$0.12	-	8,331,250	(1,662,500)	-	6,668,750
11 November 2017	$0.08	-	500,000	(50,000)	-	450,000
TOTAL		12,637,835	11,831,250	(1,712,500)	(9,637,835)	13,118,750
Weighted average exercise price		$0.17	$0.11	$0.12	$0.18	$0.12

Since year end 625,000 options have been exercised and as at the date of this report there were 12,493,750 options on issue.

NOTE 14 SHARE CAPITAL (continued)

Options (continued)

2015		Movements				
Expiry Date	Exercise Price	1 July 2014	Issued	Exercised	Expired	30 June 2015
15 August 2015	$0.15	5,717,835	-	(1,330,000)	-	4,387,835
30 June 2016	$0.20	-	5,250,000	-	-	5,250,000
3 March 2018	$0.16162	-	3,000,000	-	-	3,000,000
TOTAL		5,717,835	8,250,000	(1,330,000)	-	12,637,835
Weighted average exercise price		$0.15	$0.19	$0.15	-	$0.17

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.18 years (2015: 1.10 years).

	2016 $	2015 $
NOTE 15 RESERVES		
Options reserve	88,628	62,143
Foreign currency translation reserve	(14,520)	(18,049)
Performance rights reserve	-	937,500
	74,108	981,594
Options reserve movements during the year		
Opening balance	62,143	-
Issue of options during year	26,485	62,143
Closing balance	88,628	62,143

Share option reserve
The share option reserve represents the difference between the proceeds received from a convertible bond and the fair value of the liability on initial recognition.

Foreign currency translation reserve movements during the year		
Opening balance	(18,049)	(38,150)
Currency translation differences arising during the year	3,529	20,101
Closing balance	(14,520)	(18,049)

Foreign currency translation reserve
The Foreign currency translation reserve is used to record exchange differences arising on the translation of foreign controlled entities. The reserve is recognised in profit and loss when the net investment is disposed of.

Performance Rights

	2016 #	2015 #	2016 $	2015 $
Opening balance	10,000,000	22,500,000	937,500	2,109,375
Exercise of Tranche 1 Rights	-	(12,500,000)	-	(1,171,875)
Exercise of Tranche 2 Rights	(10,000,000)	-	(937,500)	-
At reporting date	-	10,000,000	-	937,500

NOTE 15 RESERVES (continued)

Performance rights reserve
The performance rights reserve was used to record the value of performance rights granted and exercised.

During a prior period, the Company agreed to acquire 100% of the issued capital of Opirus Minerals Pty Ltd (Opirus), a company that holds, through its wholly owned subsidiary Won Kwang, a number of flake graphite exploration projects and certain exploration permit applications over potential flake graphite-bearing areas in South Korea.

In consideration for the acquisition the Company issued, pro rata to Opirus shareholders:

a) 12,500,000 ordinary shares; and

b) 22,500,000 performance rights, which give the holder the right to acquire shares for no consideration, upon the achievement of the following milestones:

   i. The first 12,500,000 performance rights (Tranche 1 Rights), within 36 months of completion of the acquisition agreement, the tenements or tenement applications achieve a JORC compliant inferred mineral resource of 100,000 tonnes or more of in situ carbon as graphite; and
   ii. The second 10,000,000 Performance Rights (Tranche 2 Rights), within 36 months of completion of the acquisition agreement, a pre-feasibility study is completed that is commercially acceptable to the Company, acting reasonably, in respect of at least one of the projects represented by the tenements or tenement Applications.

The Company had agreed to invest, within 24 months of completion of the acquisition, at least $2,500,000 on direct exploration expenditure in South Korea, to develop the Tenements and the Tenement Applications, in accordance with good commercial practice and excluding head office or corporate costs and general staffing costs.

The milestone attached to the Tranche 2 Rights was met during the current year and they converted to ordinary shares and the milestone attached to the Tranche 1 Rights was met during the prior year and they converted to ordinary shares (refer Note 14).

	2016 $	2015 $

NOTE 16 CASH FLOW INFORMATION

Reconciliation of loss after income tax to net cash outflow from operating activities		
Loss after income tax	(2,570,062)	(5,693,038)
Non-cash items in profit/(loss) after income tax		
Depreciation	36,323	48,965
Unrealised FX gain on Hengda Deposit	(99,879)	(383,906)
Provision for non-recovery of Hengda Deposit	99,879	2,593,362
Fair value gain on Lind options derivative liability	128,182	(185,180)
Fair value loss on financial liability at fair value through profit or loss	-	591,875
Exploration costs expensed	-	27,596
Impairment of exploration assets	1,384,321	-
Share based payments	26,485	-
Change in operating assets and liabilities		
(Increase)/Decrease in receivables	29,646	81,835
(Increase) in other assets	(4,149)	(4,551)
Increase/(Decrease) in trade payables and accruals	(90,485)	33,016
Increase/(Decrease) in employee entitlements	2,604	(28,741)
Net cash outflow from operating activities	(1,057,135)	(2,919,217)

Non-cash investing and financing transactions

During the year the Company issued 12,500,000 shares on conversion of Tranche 2 Performance Rights.

During the prior year the Company issued 4,498,825 fully paid ordinary shares as part repayment of the Lind Convertible Note. Refer to note 14 for further details.

NOTE 17 SHARE BASED PAYMENTS

Refer to Notes 14 and 15 for details on the Share Based Payments that occurred during the year.

NOTE 18 RELATED PARTY AND KEY MANAGEMENT PERSONNEL

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Key management personnel compensation

Key management personnel comprise Directors and other persons having authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity.

Summary	2016 $	2015 $
Short-term benefits	395,450	788,122
Long-term benefits	-	11,396
Post-employment benefits	27,095	52,438
Termination benefits	-	-
Share-based payments	19,613	-
	442,158	851,956

Detailed remuneration disclosures are provided in the Remuneration Report on pages 26 to 32.

Transactions with Related Parties

PEI International Limited, an entity associated with Alvars Lee Hon Nam, provided consulting services totaling $Nil (2015: $126,078) to the Company during the year.

NOTE 19 FINANCIAL RISK MANAGEMENT

The Consolidated Entity's financial instruments consist mainly of deposits with banks and accounts receivable and payable. The main risks arising from the financial instruments are cash flow interest rate risk, foreign currency risk and liquidity risk.

There have been no substantive changes in the Consolidated Entity's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board is responsible for managing the Consolidated Entity’s identification and control of financial risks and for evaluating treasury management strategies in the context of the most recent economic conditions and forecasts. For the period under review, it has been the entity’s policy not to trade in financial instruments.

The main risks arising from the Consolidated Entity’s financial instruments are interest rate risk, credit risk, foreign currency risk and liquidity risk. The Consolidated Entity uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate risk and assessments of market forecasts for interest rate prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

(a) Credit Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Consolidated Entity incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Consolidated Entity.

The maximum exposure to credit risk at balance date in relation to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. There is no collateral held as security at 30 June 2016.

Credit risk is reviewed regularly by the Board. It arises from exposure to customers as well as through deposits with financial institutions. The Consolidated Entity did not have any material credit risk exposure to debtors or group of debtors under financial instruments entered into by the Consolidated Entity.

	2016 $	2015 $

NOTE 19 FINANCIAL RISK MANAGEMENT (continued)

Maximum exposure to credit risk

Non-trade receivables	45,241	209,759
Hengda Deposit – fully impaired	-	-
Cash and cash equivalents	1,000,320	478,289
	1,045,561	688,048

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above.

Ageing of receivables

Not past due	45,241	209,759
Past due 0-90 days	-	-
Past due >90 days	2,693,241	2,593,362
Impaired	(2,693,241)	(2,593,362)
	45,241	209,759

Movements in the provision for impairment of receivables are as follows:

At beginning of the year	2,593,362	-
Provision for impairment recognised during the year	99,879	2,593,362
Receivables written off during the year as uncollectible	-	-
Unused amount reversed	-	-
At end of the year	2,693,241	2,593,362

The creation and release of the provision for impaired receivables has been included in 'Provision for non-recovery of Hengda Deposit' in profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Credit risk - Cash and cash equivalents

The credit quality of financial assets that are neither past due nor impaired is considered strong. The counterparty to these financial assets is Westpac Banking Corporation, National Australia Bank and Korea Exchange Bank; financial institutions with strong credit ratings.

During the financial year the directors and management of the group has changed its strategy in respect of controlling credit risk. Any financial asset which is not cash or cash equivalent is subject to full board review prior to any payments being made or agreements or commitments being contracted for. A full assessment on the credit worthiness of the investment and voracity of security being offered in respect of the investment is undertaken by the board and supported by legal advice, both Australian and foreign as the case may be.

(b) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity may encounter difficulties raising funds to meet financial obligations as they fall due.

Liquidity risk is reviewed regularly by the Board. The Consolidated Entity manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash resources are maintained.

The table below reflects the contractual maturity of fixed and floating rate financial liabilities. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2016. The amounts disclosed represent undiscounted cash flows.

NOTE 19 FINANCIAL RISK MANAGEMENT (continued)

	2016 $	2015 $
The remaining contractual maturities of the financial liabilities are:		
Less than one year		
Trade and other payables	289,514	430,415

Terms and conditions relating to the above financial instruments:

- Trade creditors are unsecured, non-interest bearing and are normally settled on 7 - 30 day terms
- Other creditors are unsecured and non-interest bearing

(c) Market Risk

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Interest rate risk

Interest rate risk is managed by constant monitoring of interest rates. The Consolidated Entity's interest rate exposure is limited to its variable rate cash and cash equivalent assets.

Interest rates over the 12 month period were analysed and a sensitivity determined to show the effect on profit and equity after tax if the interest rates at reporting date had been 100 basis points higher or lower, with all other variables held constant. This level of sensitivity was considered reasonable given the current level of both short-term and long-term Australian interest rates. The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

At 30 June 2016, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgments of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2016 $	2015 $	2016 $	2015 $
+1.00% (100 basis points)	10,003	4,783	10,003	4,783
-1.00% (100 basis points)	10,003	(4,783)	10,003	(4,783)

NOTE 19 FINANCIAL RISK MANAGEMENT (continued)

Foreign Currency Risk

Foreign currency risk arises as a result of having assets/cash flows denominated in a currency other than the functional currency in which they are reported. At 30 June 2016, the Consolidated Entity had the following exposure to foreign currency:

	2016 $	2015 $
Financial Assets:		
Cash and cash equivalents – South Korean Won	25,070	36,822
Trade and other receivables – US Dollar (fully impaired)	2,693,241	2,593,362
Trade and other receivables – South Korean Won	381	390
	2,718,692	2,630,574
Financial Liabilities:		
Trade and other payables – South Korean Won	10,873	3,733
Trade and other payables – USD	-	-
	10,873	3,733

Exchange rates over the 12 month period were analysed and sensitivity determined to show the effect on profit and equity after tax if the exchange rates at reporting date had been 10% basis higher or lower, with all other variables held constant. The following sensitivity analysis is based on the foreign currency risk exposures in existence at the balance sheet date:

Judgments of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2016 $	2015 $	2016 $	2015 $
+10.00%	(270,782)	(262,684)	(270,782)	(262,684)
-10.00%	270,782	262,684	270,782	262,684

(d) Capital Risk Management

The Board controls the capital of the Consolidated Entity in order to provide capital growth to shareholders and ensure the Consolidated Entity can fund its operations and continue as a going concern. The Consolidated Entity's capital includes ordinary share capital, reserves and accumulated losses. Further detail on the value share capital can be found in Note 14. There are no externally imposed capital requirements. The Board effectively manages the Consolidated Entity's capital by assessing the Consolidated Entity's financial risks and adjusting its capital structure in response to changes in these risks and the market.

There have been no changes in the strategy adopted by management to control the capital of the Consolidated Entity since the prior year.

(e) Fair Values

The fair values of financial assets and liabilities approximate their carrying value. No financial assets or liabilities are readily traded on organised markets in standardised form.

The aggregate fair values and carrying amounts of financial assets and liabilities are disclosed in the balance sheet and in the notes to the financial statements.

NOTE 20 SEGMENT REPORTING

Reportable Segments

Operating segments are identified on the basis of internal reports that are regularly reviewed by the executive team in order to allocate resources to the segment and assess its performance.

For the purpose of segment reporting, the Consolidated Entity is deemed to have operated in two segments during the year:

- Exploration for minerals within Australia; and
- Exploration for minerals within South Korea.

The Consolidated Entity's Geographical Segments align with its Operating segments. Segment revenues are allocated based on the country in which the customer is located. Segment assets are allocated to countries based on where the assets are located.

Segment Revenue and Results

30 June 2016	South Korea $	Australia $	Consolidated $
Revenue:			
Revenue	809	14,296	15,105
Other income	-	99,879	99,879
Expenses:			
Expenses	(1,184,257)	(1,500,789)	(2,685,046)
Segment result	(1,183,448)	(1,386,614)	(2,570,062)
Income tax	-	-	-
Net Loss	(1,183,448)	(1,386,614)	(2,570,062)
Non-cash items included in loss above:			
Depreciation and amortisation	-	(35,952)	(35,952)
Provision for non-recovery of Hengda Deposit	-	(99,879)	(99,879)
Fair value gain on Lind options derivative liability	-	(128,182)	(128,182)
Assets:			
Segment assets	1,265,816	7,843,647	9,109,463
Unallocated corporate assets	-	-	-
Consolidated Total Assets			9,109,463
Liabilities:			
Segment liabilities	10,873	318,586	329,459
Unallocated corporate liabilities	-	-	-
Consolidated Total Liabilities	10,873	318,586	329,459
Segment acquisitions:			
Acquisition of , plant and equipment	-	2,084	2,084
Capitalised exploration expenditure	100,084	1,733,639	1,833,723
Details on non-current assets:			
Trade and other receivables	11,691	11,450	23,141
Plant and equipment	10,947	9,606	20,553
Exploration expenditure	1,216,677	6,820,137	8,036,814

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NOTE 20 SEGMENT REPORTING (continued)

Segment Revenue and Results

30 June 2015	South Korea $	Australia $	Consolidated $
Revenue:			
Revenue	167	14,983	15,150
Other income	-	569,085	569,085
Expenses:			
Expenses	(164,834)	(6,112,439)	(6,277,273)
Segment result	(164,667)	(5,528,371)	(5,693,038)
Income tax	-	-	-
Net Loss	(164,667)	(5,528,371)	(5,693,038)
Non-cash items included in loss above:			
Depreciation and amortisation	-	(48,965)	(48,965)
Provision for non-recovery of Hengda Deposit	-	(2,593,362)	(2,593,362)
Fair value loss on financial liability at fair value through profit or loss	-	(591,875)	(591,875)
Fair value gain on Lind options derivative liability	-	185,180	185,180
Assets:			
Segment assets	634,489	7,709,878	8,344,467
Unallocated corporate assets	-	-	-
Consolidated Total Assets	634,489	7,709,878	8,344,467
Liabilities:			
Segment liabilities	3,733	464,023	467,756
Unallocated corporate liabilities	-	-	-
Consolidated Total Liabilities	3,733	464,023	467,756
Segment acquisitions:			
Acquisition of property, plant and equipment	-	49,773	49,773
Capitalised exploration expenditure	112,699	2,682,711	2,795,410
Details on non-current assets:			
Trade and other receivables	35,332	23,888	59,220
Plant and equipment	10,846	43,473	54,319
Exploration expenditure	1,213,934	6,643,478	7,857,412

	2016 $	2015 $

NOTE 21 COMMITMENTS

Operating leases

Minimum lease payments:		
Payable within one year	8,819	10,132
Payable within one year and five years	-	-
Payable later than five years	-	-
Total contracted at balance date	8,819	10,132

Operating leases relate to various offices under non-cancellable operating leases.

Future exploration

The Consolidated Entity has certain obligations to expend minimum amounts on exploration in tenement areas. These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Consolidated Entity.

	2016 $	2015 $
Exploration obligations to be undertaken:		
Payable within one year	888,520	833,520
Payable between one year and five years	2,308,138	2,466,735
	3,196,658	3,300,255

NOTE 22 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no known contingent liabilities or contingent assets as at the date of this report.

NOTE 23 EVENTS AFTER BALANCE SHEET DATE

Research and development income tax concession

Since 30 June 2016 the entity has received $602,000 for research and development income tax concession.

Options

Since 30 June 2016 625,000 unlisted options have been exercised.

NOTE 24 PARENT ENTITY INFORMATION

	2016 $	2015 $
The Parent Entity of the Consolidated Entity is Hexagon Resources Limited.		
Parent Entity Financial Information		
Current assets	1,002,054	597,657
Non-current assets	8,032,961	7,059,011
Total assets	9,015,015	7,656,668
Current liabilities	318,586	464,023
Non-current liabilities	-	-
Total liabilities	318,586	464,023
Net assets	8,716,429	7,192,645
Issued capital	48,937,564	44,556,723
Reserves	88,628	999,643
Accumulated losses	(40,309,763)	(38,363,721)
Total equity	8,716,429	7,192,645
Loss after income tax	(1,946,042)	(5,528,701)
Other comprehensive income	-	-
Total comprehensive income	(1,946,042)	(5,528,701)

Commitments, Contingencies and Guarantees of the Parent Entity

The Parent Entity has no contractual commitments for the acquisition of property, plant and equipment.

The Parent Entity's exposure to contingent liabilities is detailed in Note 22. The Parent Entity has no contingent assets or guarantees at balance date.

Controlled Entities of the Parent Entity	Percentage Owned		Country of Incorporation
	2016 %	2015 %	
Lamboo Resources No.1 Pty Ltd	100%	100%	Australia
McKintosh Resources Pty Ltd	100%	100%	Australia
Advanced Particle Group Pty Ltd	100%	100%	Australia
Opirus Minerals Pty Ltd	100%	100%	Australia
Won Kwang Inc	100%	100%	South Korea

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DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements, comprising the consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity, accompanying notes, are in accordance with the *Corporations Act 2001* and:
   a. comply with Accounting Standards and the *Corporations Regulations 2001*; and
   b. give a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date.
2. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
4. The remuneration disclosures included in paragraphs pages 26 to 32 of the directors' report (as part of audited Remuneration Report), for the year ended 30 June 2016, comply with section 300A of the *Corporations Act 2001.*
5. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Anthony Cormack
Director
28 September 2016

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ADDITIONAL STOCK EXCHANGE INFORMATION

DISTRIBUTION OF NUMBER OF HOLDERS OF EQUITY SECURITIES AS AT 27 SEPTEMBER 2016

Number of Securities Held	Ordinary shares fully paid No. of holders
1 to 1,000	342
1,001 to 5,000	313
5,001 to 10,000	307
10,001 to 100,000	714
100,001 and over	295
	1,971
Number of shareholders holding less than a marketable parcel of shares	481

TWENTY LARGEST HOLDERS OF EACH QUOTED SECURITY

Rank	Name	Balance	% Held
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	10,405,498	4.4
2	FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	8,212,146	3.5
3	PATHFINDER EXPLORATION PTY LTD	7,901,993	3.4
4	MR ROBERT SIMEON LORD	7,000,000	3.0
5	J P MORGAN NOMINEES AUSTRALIA LIMITED	6,919,609	3.0
6	INVESTORLINK GROUP LIMITED	6,244,000	2.7
7	ONE MANAGED INVESTMENT FUNDS LIMITED <TECHNICAL INVESTING ABSOLUTE RETURN A/C>	4,566,666	1.9
8	CITICORP NOMINEES PTY LIMITED	4,283,603	1.8
9	CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	3,974,780	1.7
10	MR ANTHONY LIONEL PATTERSON <PATTERSON FAMILY A/C>	3,366,666	1.4
11	MR RICHARD HOPETOUN BITCON	3,100,000	1.3
12	JOWJIN PTY LTD <KEERATI A/C>	3,047,065	1.3
13	NORVALE PTY LTD	3,040,738	1.3
14	MR DAVID FRANCIS SCHWEDE & MRS JANINE ANN SCHWEDE <THE SCHWEDE SUPER FUND A/C>	2,833,991	1.2
15	SPORTPIX PTY LTD <SPORTPIX SUPER FUND ACCOUNT>	2,830,000	1.2
16	QUAM SECURITIES COMPANY LIMITED	2,658,169	1.1
17	ORBIT CAPITAL PTY LTD	2,610,552	1.1
18	WAIRAHI HOLDINGS LIMITED	2,500,000	1.1
19	MRS MIN YOUNG KANG	2,492,643	1.1
20	SCHENK INVESTMENTS PTY LTD <SCHENK SUPERFUND A/C>	2,300,000	1.0

VOTING RIGHTS

All ordinary shares carry one vote per share without restriction.

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders as shown in substantial shareholder notices received by the Company:

Name of Shareholder	Ordinary Shares
Nil	-

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INDEPENDENT AUDITOR'S REPORT

To the members of Hexagon Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Hexagon Resources Limited, which comprises the consolidated balance sheet as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes 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 year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Hexagon Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Hexagon Resources Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity, successful exploration and subsequent exploitation of the consolidated entity's tenements, and/or sale of non-core assets. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 26 to 32 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Hexagon Resources Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd

BDO

TMann

T R Mann
Director

Brisbane, 28 September 2016