HEXAGON RESOURCES LIMITED

ABN 27 099 098 192

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

CORPORATE DIRECTORY

Board of Directors

Charles Whitfield	Non-Executive Chairman
Mike Rosenstreich	Managing Director
Garry Plowright	Non-Executive Director

Company Secretaries

Leni Stanley (Resigned 31 October 2017)
Rowan Caren (Appointed 18 September 2017)

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DIRECTORS' REPORT

Your Directors present their report on Hexagon Resources Limited (the 'Company') and its controlled entities (the 'Consolidated Entity') for the half-year ended 31 December 2017.

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 half-year are:

Name	Position	Period of Directorship
Charles Whitfield	Non-Executive Chairman	Appointed 22 August, 2016 Appointed Chair 5 May 2017
Michael Rosenstreich	Managing Director	Appointed 17 March, 2017
Garry Plowright	Non-Executive Director	Appointed 10 June, 2015

OPERATING RESULTS

For the half-year ended 31 December 2017, the gain for the Consolidated Entity after providing for income tax was $230,590 (2016: loss $1,026,896).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

REVIEW OF OPERATIONS

The Company's tenements include the advanced McIntosh Flake Graphite project and the early stage Halls Creek Project, both located in the East Kimberley of Western Australia. The Mabel Downs group of tenements was relinquished during the period.

The prime focus of the Company continues to be on the feasibility study to assess the development of the McIntosh Flake Graphite project comprising mainly test work on the flake graphite concentrate and a diamond core and reverse circulation drilling program. A major data compilation and target generation program was initiated on the Halls Creek project supported by some limited field work.

1. RECENT HIGHLIGHTS FOR THE COMPANY

McIntosh Graphite Project

- A series of transformational test outcomes covering; anode properties, flake size, expandability and ease of purification endorsing Hexagon's revised marketing strategy of producing a range of premium priced materials targeting high-end users comprising both the battery and tech sectors as well as the potential displacement of premium quality synthetic graphite.
- Recent test work results include:
  - ✓ Suitability of McIntosh flake for lithium ion battery anode market;
  - ✓ Identification of significant Large and Jumbo sized flake from both drill core samples and concentrate samples;
  - ✓ Confirmation of clean nature of the McIntosh graphite mineralisation with "easy purification" to Five-Nines purity (99.999 wt%C); and
  - ✓ 220% expansion factor for expandable +60 Mesh sized flake;

  Test results continue to support amenability for battery anode material but importantly confirm the higher priced product opportunities to exploit larger flake size, expandability and easy Five-Nines purification attributes.
- Completion of a successful drilling program at McIntosh in terms of extending mineralised trends, generating additional sample material and potential resource up grades;
- Identification of graphic schists coincident with Electro-magnetic (**EM**) anomalies in the Eastern Prospects area of the McIntosh Project, which underpin the Company's large scale Exploration Target estimates;
- Applications submitted for two large scale Mining Leases to replace the original four small leases;

Halls Creek Project

- At Halls Creek, the identification of 5 drill ready gold and base metals targets and several other new prospective zones; and
- Additional data compilation and target generation has outlined new drill ready targets at Halls Creek (Au, Cu-Pb-Zn & Ni). Funding options for large work program are being considered and include farm-out or "spin-out" options; and

Corporate

- Consolidation of the Company's management group in Perth completed with the appointment of new Company Secretary and Chief Financial Officer and transfer of its registered office to Perth.
- 1.9 million shares in unlisted Battery Minerals Limited sold realising approximately A$1.2 million.
- 3 million unlisted options converted into shares for total proceeds of A$485,000 In January and February 2018.

2. MCINTOSH FLAKE GRAPHITE PROJECT

The Company has made significant advances on its McIntosh Flake Graphite project located in Western Australia, on several key fronts including marketing, processing test work, permitting, financing and exploration.

The PFS demonstrating the viability of the McIntosh Flake Graphite project[1] has highlighted many new opportunities to significantly enhance the project economics. In particular, the potential to secure offtake for a more diverse, higher value product mix as well as the original battery anode sector, to generate higher revenue streams and margins. As well, a series of technical improvements to the process flow sheet to effect lower operating and capital costs. This work is in progress towards completing a Feasibility Study.

Feasibility study work during the period also focused on metallurgical test work, essentially setting up a Geo-metallurgical model (**Geo-Met**), completion of the bulk sample pilot program, stage 2 downstream processing test work and resource drilling.

2.1 Geo-Met Model Inputs

A robust Geo-Met model is necessary to provide the geological and spatial framework for ongoing metallurgical test work. During the period the work progressed to understand the variability within each of the main deposits, Emperor, Longtom and Wahoo in terms of mineralogy, grade and flake size (amongst other criteria) and how these variations, characterised as "geological domains" might impact on the processing performance. Predicting processing performance is essential to consistently meeting offtake specifications.

In July, 2017 approximately one hundred, 3kg to 4kg samples of drill core were collected from the Emperor, Wahoo and Longtom deposits, within each of the current geological domains defined for each deposit. A testing program was initiated, examining:

- Multi-element scans including possible deleterious elements as well as total graphitic carbon (**TGC**) content;
- mineralogical associations and textures of graphite and gangue minerals; and
- petrographic determinations of graphite flake length; and

A key result achieved was from the petrographic flake size analyses for the Emperor, Wahoo and Longtom deposits which clearly demonstrated a significant endowment of Large and Jumbo flake at the Emperor and Wahoo deposits as summarised in Figure 1.

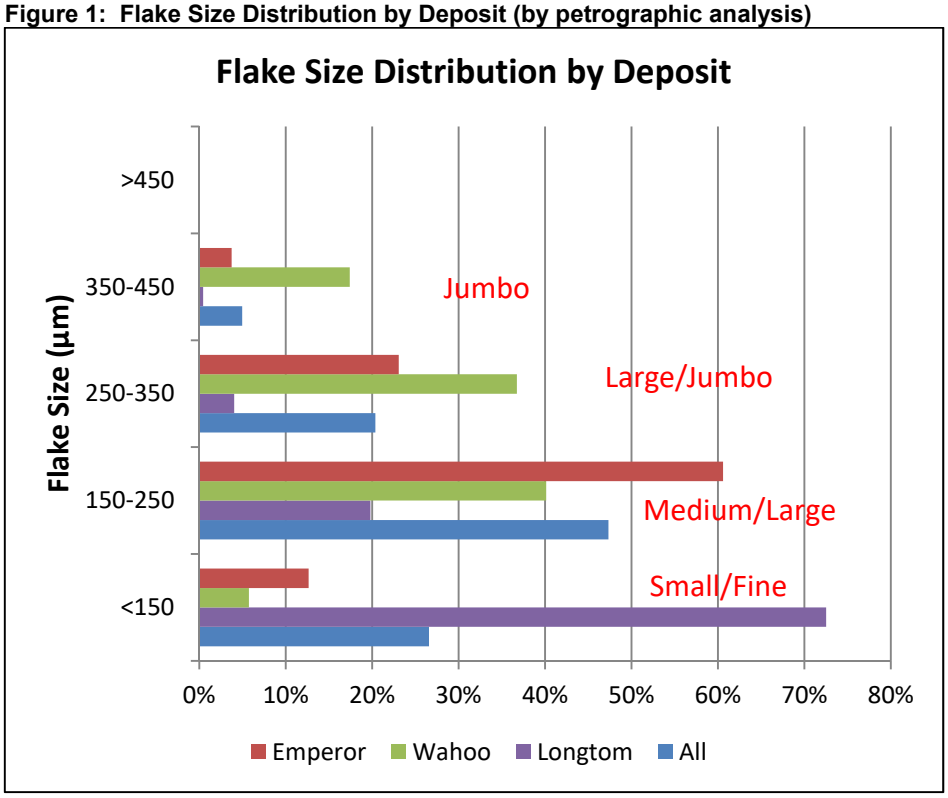
The data demonstrates that the Emperor and Wahoo deposits which comprise 71% of the Mineral Resource are dominated by Large and Jumbo sized flake[2]. Conversely, the Longtom deposit is dominated by Fine and Medium sized flake with 28% in the Medium and Large categories.

[1] *Refer ASX Report 31 May 2017.*

[2]

	USA Sieve Series - ASTM Specification E-11:70 (ISO Standard)					
	Fine	Small	Medium	Large	Jumbo	Super Jumbo
Mesh (ASTM)	200	200-100	100- 80	80 - 50	50 - 35	+ 35
Microns	< 75	+75 – 150	+150 – 180	+180 – 300	+300 – 500	+500

Figure 1: Flake Size Distribution by Deposit (by petrographic analysis)



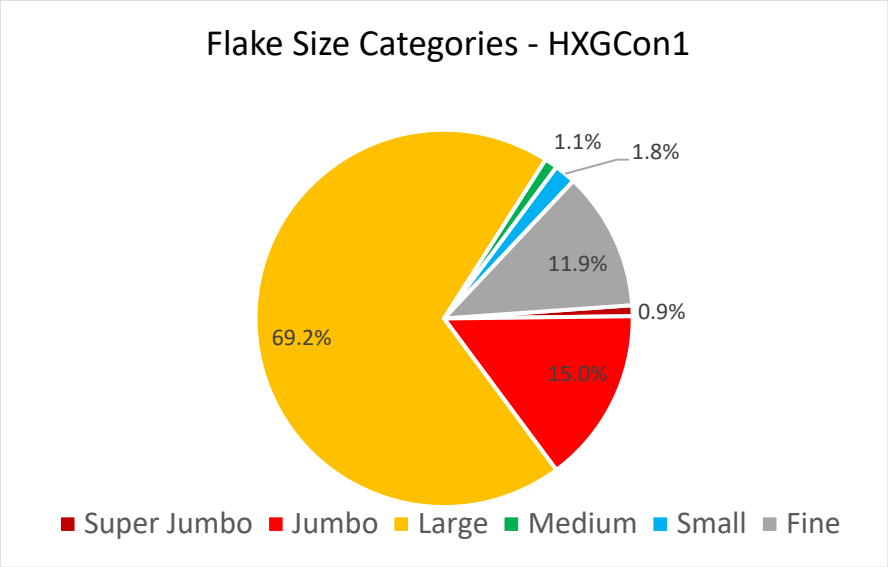
Endorsing the flake size analysis undertaken on drill core samples, independent flake sizing test work undertaken on McIntosh flake concentrate also indicated the presence of a significant proportion of Large (>180µm) and Jumbo (>300µm) sized flake in HXGCon 1 as shown in Figure 2.

Note, 16% of flake is classified as Super Jumbo and Jumbo and 69% of flake classified as Large with only 14% classified as Small or Fine. Importantly the pilot program (HXGCon2 & 3) actually targeted a c. 100 micron flake size product. Therefore, sample HXGCon1 is more relevant in terms of concentrate flake size distributions.

This result is very positive in adding greater value to a larger proportion of the planned McIntosh graphite products. Previous sizing work had indicated that only 30% of flake in concentrate was greater than 150 microns (Medium & Large).

Refer to ASX Report 6 November, 2017 for full details.

Figure 2: Flake Size* Distribution in Graphite Concentrate produced from Emperor Samples



**Screen Analysis by RX-29 -Tap Test Sieve Shaker/cross referenced by laser diffraction method (Microtrac S3500).*

Flake size preservation had not been a priority until current management's focus on marketing and product development due to the previous strong focus on a single flake product destined for the battery anode market and the preconception that approximately 106 microns was the target feed size for a spheroidisation plant (to produce battery anode material (**BAM**)). These results reinforce the exciting opportunity to modify the PFS crushing and grinding circuit to preserve a naturally occurring, coarse graphite flake distribution which the previous test work largely ignored.

Flake size is important; it creates opportunities to diversify the project product mix and gain premium pricing for high-purity larger flake products.

The mineralogical work has been completed and the multi-element scans were partially complete at the end of the year. The GeoMet modelling will be undertaken in early 2018 to provide geological context for the next round of process flow sheet test work which is essential to ensure the Feasibility Study flowsheet will optimally address the variety of ore types and possible ore blends the concentrator plant may encounter.

2.2 Pilot Processing of Bulk Sample

In September, 2017, Hexagon received the final report on the piloting program from ALS Global. The program, to process a 2.3t bulk sample from drill core samples from the Emperor deposit commenced in late March, 2017 and was completed in July 2017.

Broadly, the piloting program was successful having produced 100kg of concentrate at recoveries greater than 95% utilising 7 to 9 cleaner stages. At the outset of the test work in late 2016 a target product size of 100 microns was set – because, at that time, it was regarded as the ideal feed size for a spheroidisation plant. The resultant concentrate product from the pilot program achieved a P80 of 91 microns.

These test work outcomes are consistent with the PFS assumptions and form a sound base case for processing. However, these test work outcomes and the bulk sample itself have been largely superseded by major enhancements to process developments and product specifications with a greater understanding of what offtakers want, including:

- Utilisation of new reagents which based on preliminary testing on McIntosh samples will generate enhanced graphite flotation responses;
- Recognition of a large proportion of large and jumbo sized flake within the existing resources;
- Diversification of product mix to comprise potentially three high-purity products; one finer grained flake for the advanced battery market and two coarser flake products – one for the expandable graphite market; and
- Modifications to the process circuit to preserve flake (and reduce energy inputs).

Therefore, within the context of the Geo-Met model Hexagon plans to undertake additional test work to assess these modifications. When verified, this would reduce operating and capital costs for the Stage 1 processing plant and enable the Company to more closely and consistently tailor its products to the offtake specifications.

2.3 Secondary Processing Test Work

Hexagon has forged an extremely successful partnership with a US company, referred to as "NAmLab" which specialises in graphite and battery technologies; from research, to test work and commercial manufacturing. NAmLab has been certified by the US Department of Defence to be ISO 9001:2008 compliant in Quality Systems and importantly, has a commercial production arm.

The objective of this partnership is to undertake test work to characterise end use opportunities for McIntosh graphite concentrate with particular focus on higher purity products, aimed primarily at the advanced battery materials trade and other applications such as high-purity larger flake graphite products and potentially displacing synthetic graphite in a range of premium uses. There are many niche markets that this test work is assessing, with a view to diversify Hexagon's product range further and increase its exposure to premium graphite pricing opportunities. The partnership with NAmLab provides a credible technical partner to execute the test work that understands the relevant end-use specifications and ultimately, through its commercial links can assist in the marketing process.

Over the past 6 months the Company has released a series of pivotal test work outcomes which have transformed and significantly upgraded the portfolio of products planned to be produced at McIntosh.

The test work was undertaken on 25kg of two McIntosh graphite concentrate samples generated from Emperor drill core samples dispatched to NAmLab. The graphite flake concentrate samples included;

- HXGCon1 – generated from batch test work completed in 2016 on a 200kg composite sample of drill core; and
- HXGCon2 and 3 which is the product of the pilot program completed in July 2017.

Both samples were generated using the PFS style process flow sheet and therefore do not include any of the planned process modifications (which will aim to optimise desirable flake characteristics).

2.3.1 Battery Anode Preliminary Test Work Results

A summary of first pass McIntosh spheroidised material results compared to a "typical" battery feed specification (including JC/T 2315-2016 from China) is presented in Table 1. The McIntosh graphite flake concentrate test results fulfil all early parameters for the battery industry. These are preliminary results and were achieved without optimisation or having undergone any further purification or modification processes (compared to the reference specifications).

Table 1: Battery Anode Utility – McIntosh Preliminary Test Results

Parameter Tested	Un	McIntosh	Reference
Yield	%	58	c.50%
Particle Size (D50)	Mi	15.3	15.1
Particle Size Distribution	Ra	2.2	2.4
Tap Density	g/c	0.92	1.07
Surface Area	m^2	8.9[1]	2 - 5
Reversible Capacity[2]	m	370	>360

1. *Ideal values post purification. HXG material analysis indicates good potential for significant decrease in surface area – to around 5 m^2/g with further treatment.*
2. *Coin cell data, electrode 91.9% graphite (not spherical but raw flake concentrate), 2% conducting carbon and 6.1% binder.*

This test work was largely undertaken by a China based powder materials testing and equipment supplier (for confidentiality reasons, referred to here as **"ChinaLab"**), which has been established for over 20 years and has expertise in fine particle and powder grinding and classification, including the spheroidisation of flake graphite for BAM.

In summary, this was the first time that downstream processing i.e. spheroidisation had been undertaken on McIntosh graphite concentrate material and the results indicate the sample material has "passed" on all the key preliminary assessment criteria with an excellent outlook to make further improvements to more closely conform to likely specifications required for lithium-ion batteries.

There is currently battery related test work on going at NAmLab in the US which is confirming and surpassing the results tabulated above.

2.3.2 Expandability Test Work

Test work was undertaken on the HXGCon1 sample.

A strong Expansion Factor of 220% was achieved for the +60 Mesh sized flake.

The Results are summarised in Table 2 below. The Expansion Volume for a plus 60 Mesh (+250 µm) sized flake had an approximate value of 160mL, while for a +80 mesh it amounted to a low 24mL. Expansion factors typically correlate to flake size and for the Emperor deposit there is a clear demarcation between +60 and +80 mesh sizes i.e. between 180 and 250 µm in terms of both expansion volumes and flake size abundance. This is important for optimising the primary flow sheet and based on the flake size test work reported previously, highlights the opportunity to recover a large proportion of the overall graphite flake to this product.

Table 1: Expansion Test Work Results from NAmLabs

Sample ID (HXGCon1)	Initial Mass (g)	Final Mass (g)	Expansion Volume (mL)	BET Surface Area (m^2/g)	Volatiles Content[1] (g)	Weight% Volatiles[2]	Expansion Coefficient[3] (mL/g)
+60 Mesh	1.0008	0.7275	160	21.63	0.2733	27.31%	219.93
+80 Mesh	1.0040	0.7740	24	9.41	0.2300	22.91%	31.01

1. $Volatiles\ Content = Initial\ Mass - Final\ Mass.$
2. $\%Volatiles = \frac{Volatiles\ Content}{Initial\ Mass} \times 100;$
3. $Expansion\ Coefficient = \frac{Expansion\ Volume}{Final\ Mass}.$

The BET surface area of +60 mesh expanded graphite was registered at 21.63 m^2/g, which puts McIntosh flake in line with a number of competitor materials on the expandable graphite market. NAmLab commented that it is very confident that the Expansion Coefficient and BET surface area could be easily increased in the future as a result of optimisation of flake concentrate sizing and graphitic carbon content as well as fine-tuning the composition of the intercalant acids.

2.3.3 Purification Test Outcomes

Purification result of up to 99.9998 were achieved on the McIntosh graphite concentrate samples using a proprietary thermal process. The method is regarded as a medium temperature and involves very mild addition of chlorine to the nitrogen gas carrier. NAmLab described it as an "easy" purification process and hence lower operating and capital costs should provide a significant competitive advantage for the McIntosh material.

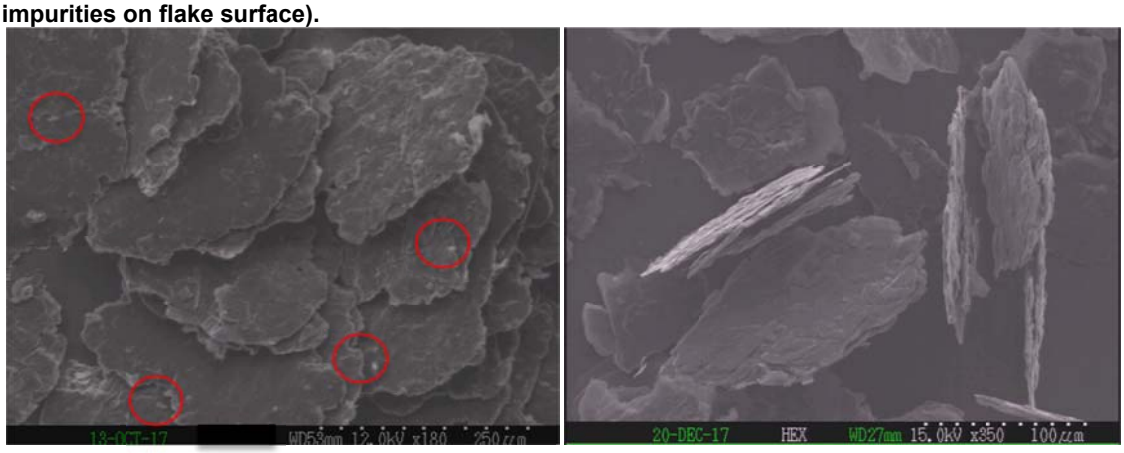
The purity results are summarised in Table 3; the tare weight of the platinum crucible was subtracted from the final combined crucible and ash weight to give the amount of non-carbon ash left in the crucible. HXGCon1 had a barely measurable amount of ash left revealing a flake with purity of 99.9998 wt%C, while HXGCon2A had slightly more ash, highlighting a purity of 99.9991 wt%C. Since virtually no ash could be detected, the LOI tests prove the purified McIntosh concentrates are extremely high-purity.

Table3: Loss of Ignition (LOI) 950 Analysis of purified graphite concentrates from NAmLab

HXGCon1		HXGCon2A (+270#)	
Crucible mass *(g)*	10.54785	Crucible mass *(g)*	10.54755
Ore mass *(g)*	4.29712	Ore mass *(g)*	5.69234
Crucible + Ash *(g)*	10.5486	Crucible + Ash *(g)*	10.54789
Ash *(g)*	0.00001	Ash *(g)*	0.00004
% Carbon	**~99.9998**	**% Carbon**	**~99.9991**
Time to oxidise	9:27	Time to oxidise	6:58

The SEM scans highlight the presence of small bright specks on the surface of the graphite flakes which are the mineral impurities as shown in Figure 3. If these were embedded as gangue into the flake structure it is unlikely such a high purity could have been achieved in this easy manner.

Figure 3: SEM of McIntosh flakes (L) before and (R) after purification (red circles highlight grains of impurities on flake surface).



The final elemental scans have not detected any residual elements that raise any concerns in regard to likely product specifications. The levels are either below detection limits or well below established passing specifications. In general, the battery industry has 10 critical and 8 more non-critical elements that it assesses, as excessive concentrations of certain elemental impurities that might pose a risk of side reactions, over-pressurising and leakage in the batteries.

As expected, the tap density, Scott volume, and Microtrac particle sizes of the purified materials did not change significantly compared to the materials before purification. The tap density and Scott volume would not have increased because the material, though purified, is still in flake form. However, BET surface area values generally went down by a factor of 1.5-2; e.g. HXGCon2 changed from a BET of 4.24 g/cm^3 to 2.27. Ideal BET values are between 2 and 4 g/cm^3). This change is considered to be due to high surface area fines comprising the mineral impurities, which have been eliminated from the structure of the graphite carbon.

2.3.4 Ongoing Stage 2 Test work

To complete this first round of stage 2 type test work the Company is undertaking battery cycling work on batteries made from McIntosh graphite and undertaking crystallinity studies. This work is expected to be complete in March 2018 and will round out the first pass stage 2 test program. This program was designed to scope out the potential quality and hence end-uses for Hexagons graphite material - which has been a spectacular success to date.

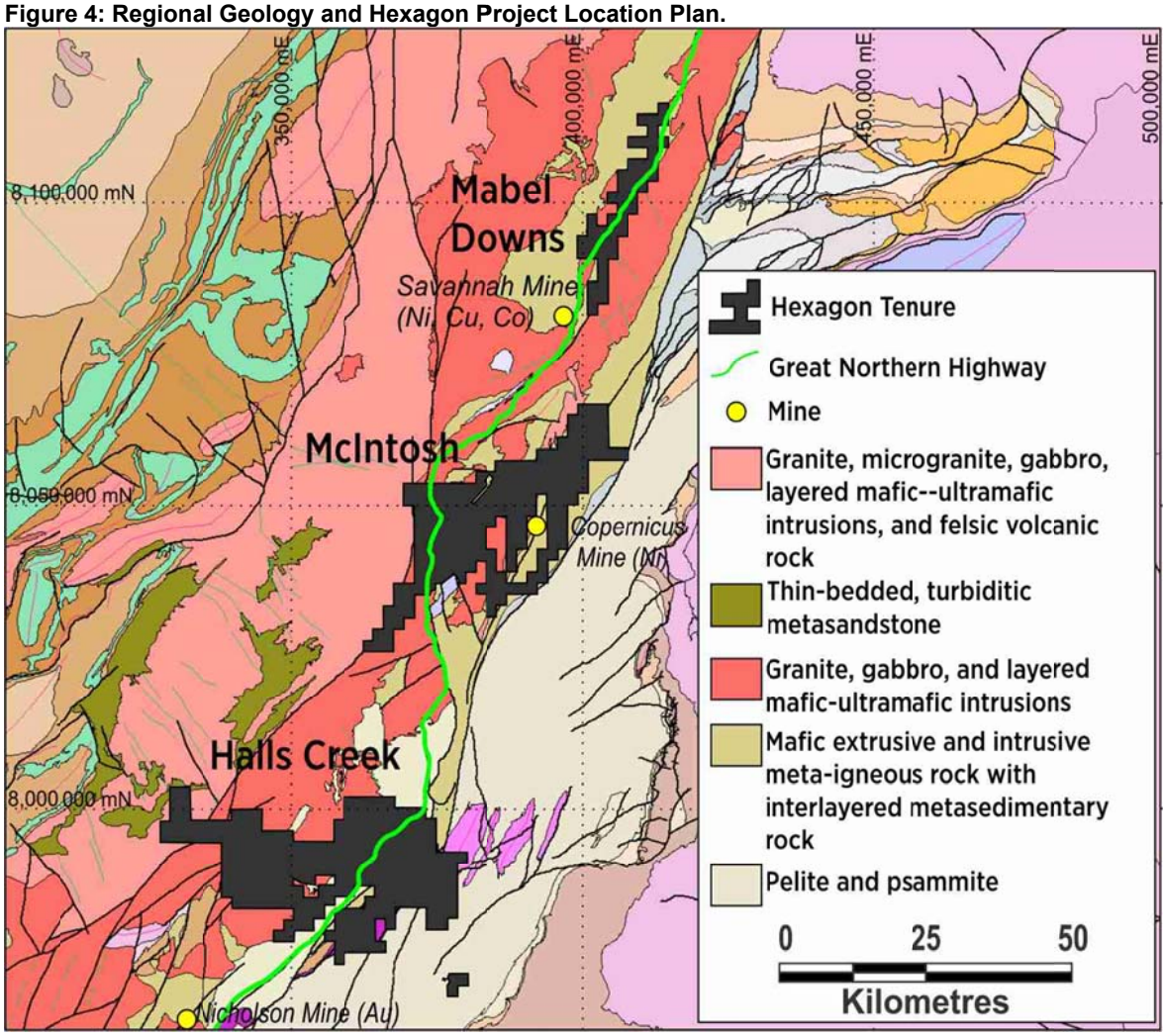
3. DISCOVERY

At the start of July, 2017, Hexagon held three key groups of tenements, all located in the East Kimberley as shown in Figure 4, comprising:

- The McIntosh Project – prospective for graphite and base metal massive sulphide deposits;
- The Halls Creek Project – prospective for gold and base metal massive sulphide deposits; and
- The Mable Downs Project – prospective for base metal sulphides and possibly graphite.

The McIntosh tenements are the core focus and host the McIntosh Flake Graphite Project which is in feasibility study. As outlined below a major field program was completed at the project. As well, assessment work was undertaken on the Halls Creek and Mabel Downs tenements in terms of the Company's current priorities and overall strategic direction. This resulted in the relinquishment of the Mabel Downs tenements and recommendations to undertake additional work at Halls Creek, which is viewed as a highly prospective, early stage exploration project.

Figure 4: Regional Geology and Hexagon Project Location Plan.



3.1 McIntosh Project

Exploration activities at the McIntosh Project have focussed on advancing the feasibility study and continuing to assess and demonstrate the large scale potential of the Project area. Field work comprised:

- drilling at the Longtom and Barracuda deposits to generate metallurgical samples, geotechnical data and confirm/upgrade some areas of the current Mineral Resource; and
- reconnaissance rock chip sampling across high priority targets identified by airborne EM in the eastern prospects.

A detailed report on the exploration work was lodged with ASX on 26 September, 2017.

3.1.1 Drill Program

Drilling was completed using a multipurpose drill rig commencing in July and finishing in August, 2017. A total of 2,306.3 metres were drilled across the Longtom and Barracuda deposits consisting of 1,968 metres of reverse circulation (**RC**) and 368.3 metres diamond drill core (**DD**) as summarised in Table 4.

Table 4: Drill Hole Summary

Prospect	Hole Type	Number of Hole	Metres Drilled
Barracuda	DD	2	102.4
	RC	3	228
	Total	**5**	**330.4**
Longtom	DD	2	101.2
	RC	21	1418
	RCD	4	456.7
	Total	**27**	**1975.9**
Total		**32**	**2306.3**

RCD – Combination of RC precollar and diamond tail.

Confined to heritage cleared areas, a drill program was designed to test along strike of the Longtom resource and provide suitable material for metallurgical test work to be carried out at both the Longtom and Barracuda deposits.

The majority of the drilling was completed at Longtom along strike from the current resource, which equates to approximately 30% of identified prospective strike length (Figure 5) based on existing drilling and modelled EM responses from a VTEM survey flown by Hexagon in late 2014. Graphite bearing rocks were intersected at Longtom with projected true widths of 5 to 15 metres (Figure 6) along a continuous graphitic horizon with a strike length of approximately 1,800 metres south west of the current resource.

Drilling was completed on a nominal spacing of 80 metres along and 40 metres across strike, so as to provide the necessary data coverage to support resource calculations based on existing knowledge should the returned results warrant. A total of 265.9 metres of HQ_3 core was drilled to provide material for metallurgical test work, in compliance with JORC Clause 49 and QAQC coverage.

A small programme of five holes for 330.4 metres consisting of 102.4 metres diamond and 228 metres RC was drilled at Barracuda. This programme focused on the existing inferred resource (Figure 7) to provide additional information; data density, QAQC and metallurgical samples, to support a potential upgrade in resource classification. Graphite bearing horizons were intersected where expected.

Figure 5. Longtom collar plan showing current resource and optimised pit outline underlain by late time channel VTEM survey image.

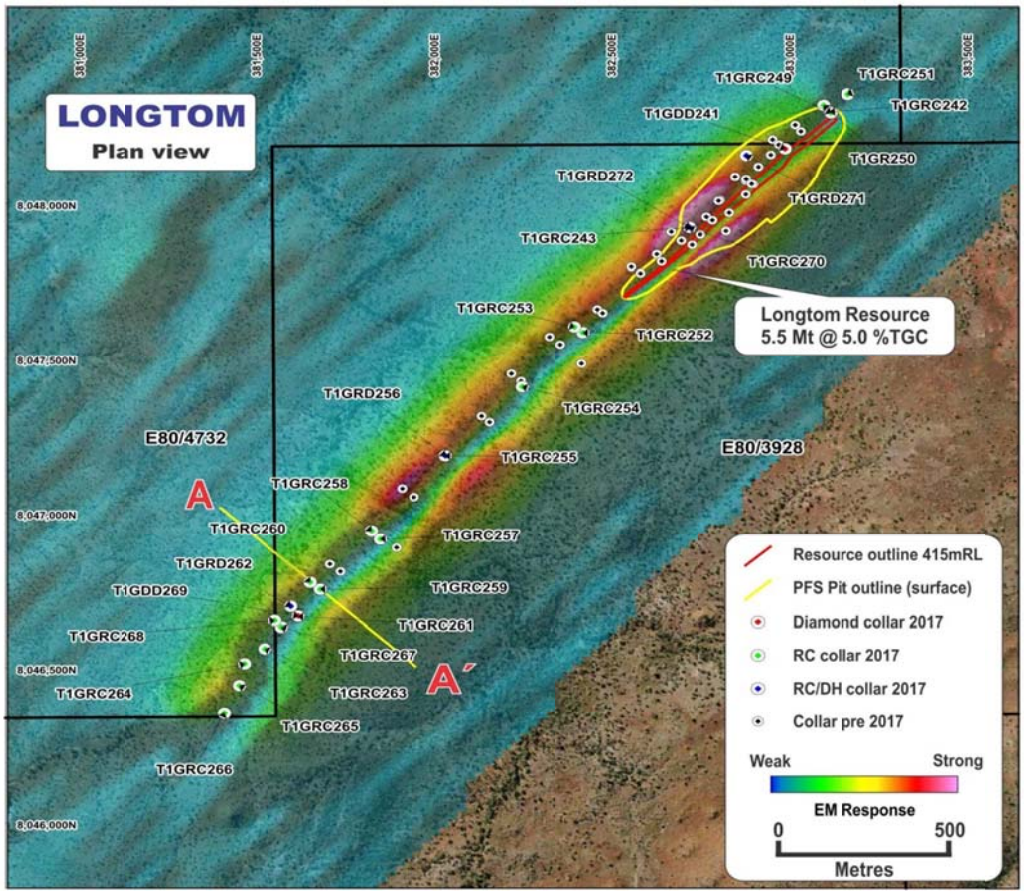


Figure 6. Longtom cross-section with geology interpretation based on drill hole logging.

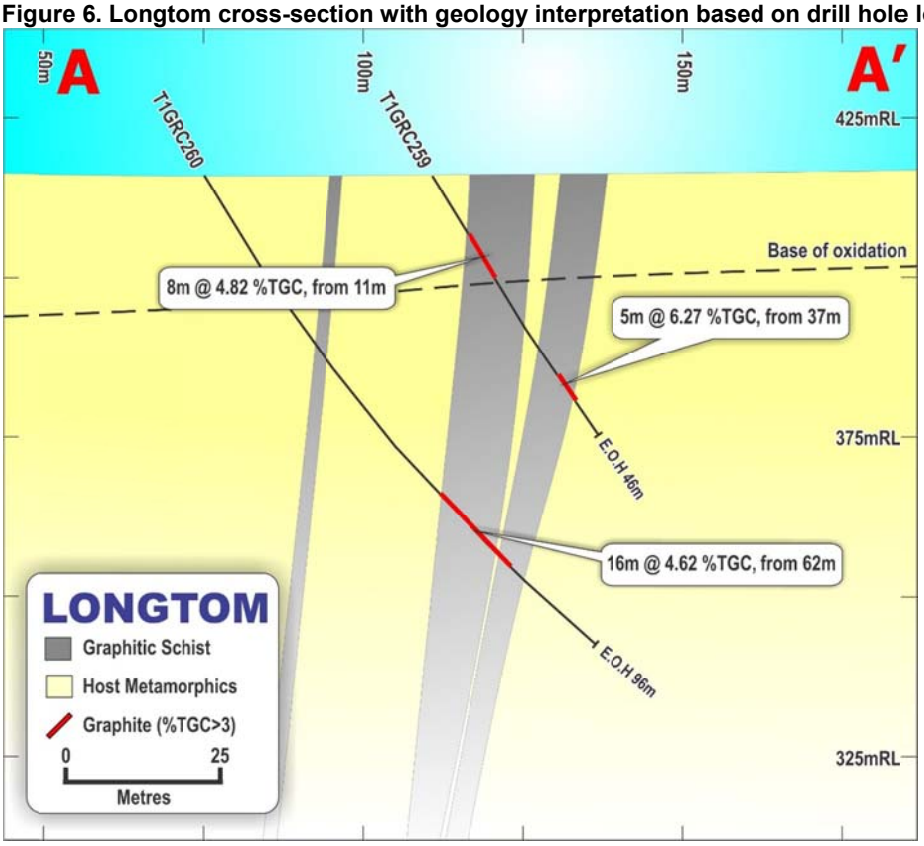
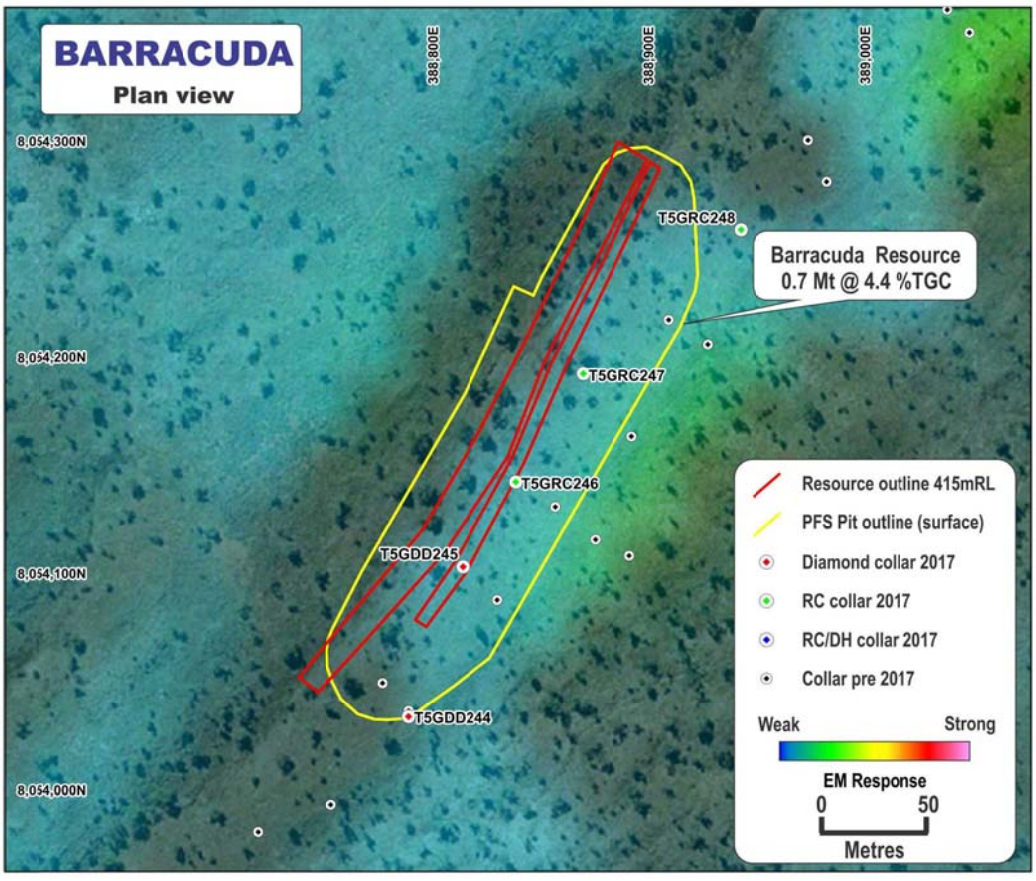


Figure 7. Barracuda collar plan showing current resource and optimised pit outline underlain by late time channel VTEM survey image.



As at 31 December, 2017 assay results for all the RC samples submitted have been received, with the assay results for core drilling still pending. Diamond core was drilled primarily for metallurgical samples and as such assay turnaround is expected to be longer.

Assay highlights from the Longtom prospect RC drilling include:

- graphite mineralisation intercepted at true widths of up to 10 metres along an additional strike length of 1.4km from current SW edge of the Longtom resource:
- T1GRC260: 16 metres at 4.62 %TGC;
- T1GRC261: 14 metres at 6.00 %TGC; and
- Confirmation of high grade TGC results within current Longtom resource. For example T1GRC270: 27 metres at 5.39 %TGC.

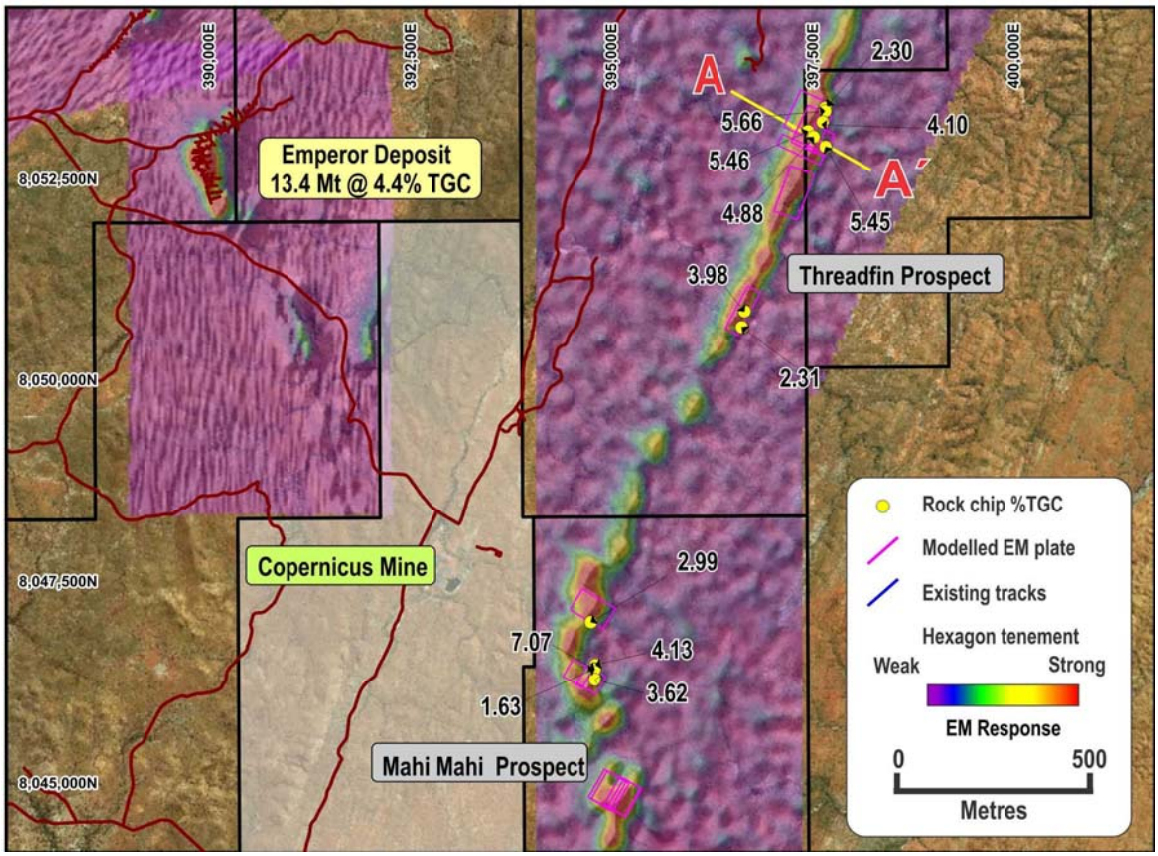
The assay results indicate moderate widths of mineralisation intercepted along an additional strike length of approximately 1.4km from the SW edge of the existing mineral resource.

3.1.2 Eastern Prospects – Reconnaissance Rock Chip Programme

A first pass reconnaissance field visit was carried out across high priority targets; Mahi, Threadfin and Marlin, identified from the Xcite EM survey completed in 2016. Outcropping graphitic schist was identified coincident to modelled conductive plates where plates have been modelled to surface (Figure 8). For areas where the modelled plates don't reach the surface, i.e. southern plates of Mahi, strongly deformed metasediments with dip orientations indicating anticlinal structures compare favourably with Hexagon's geological interpretation. This interpretation relies on metasediments being subjected to high grade metamorphism (from either regional and / or contact and structural deformation to promote flake graphite mineralisation.

Selected rock chip samples have been submitted for multi-element assay and petrographic analysis.

Figure 8. Rock chip locations underlain by EM image



3.2 Halls Creek Project

The Halls Creek Project is an early stage exploration project which has had very little systematic exploration work: in particular drilling. The Company is very pleased to have recently defined 5 drill-ready targets and several other targets for drill target definition work.

Exploration work for the periodconsisted of historical data compilation, satellite image processing and interpretation which was followed up with a brief field reconnaissance visit.

Data compilation and reinterpretation has highlighted five priority drill targets; Lady Helen, Bent Ridge, Milba, Townsite and Granite prospects (refer Figure 9). Highlights include:

- *Lady Helen prospect* (gold-silver prospect) was identified as a high priority target requiring follow up exploration illustrated (refer Figure 10). Historic high grade gold (Au) values up to 70 g/t Au and silver (Ag) up to 50 g/t have been returned from rock chipping a gossan within an intermittent Au-As geochemical anomaly over a strike length of 500 metres. A historical drilling program returned a best result of 4 metres at 22.6 g/t Au and 17.3 g/t Ag from a vertical hole drilled straight into the gossan. The program consisted of 9 holes, 7 of which were vertical, over a 60 metre strike targeting mineralisation which is sub vertical. Subsequent historical exploration included an IP gradient array survey which identified IP anomalism that may represent a potential quartz bearing mineralised structure.

- *The Bent Ridge prospect* is considered to be a large scale multiphase quartz vein / breccia system, with associated argillic, pyrophyllite and fuchsite-carbonate alteration, formed within secondary fault splays emanating from the Caroline Fault. The prospect is defined primarily by an arsenic-copper soil anomaly with a strike length of 2km and supported by historic rock chip assays up to 1.38g/t gold and 930 ppm arsenic collected from a gossan. A small (450 metre length) historic gradient array induced polarisation survey also produced a coincident anomalous chargeable response.

- *The Milba prospect* is identified as a VMS base metal target defined by anomalous lead, zinc and copper from historical geochemical sampling programs, which included stream sediment, MAGLAG and rock chip samples. Broad geochemical anomalism extents over a strike length of up to 5km and width of 1km with a higher core of approximately 2km by 500 metres. The prospect occurs within felsic to intermediate volcaniclastic rocks with associated siliceous gossans or exhalites. Within the soil anomaly historic rock chip sampling has returned assays of 10.7% copper, 86 g/t silver and 470 ppb gold.

- *The Townsite prospect* is defined by two 400 metre long en-echelon auger anomalies associated with a west north-west trending silicified cataclastic lode where historic rock chip assays up to 26.1 g/t gold, 22 g/t silver and 2.6% lead were returned.

  A soil sampling traverse was completed along an access road between the Granite and Townsite prospects. No significant results were returned.

- *The Granite prospect* occurs on the margin of the Loadstone Monzogranite where historic rock chip sampling of sheeted quartz veins within an east west trending quartz-sericite alteration zone have returned values up to 11.5 g/t gold with 9.5 g/t silver. A historic drill program (8 holes) consisting of shallow (<43 metre) RAB and RC holes produced a best result of 10 metres at 0.3 g/t gold and 0.3% copper.

- During the field visit a soil sample traverse was carried out across the Olympio, Red Rock, Milba and Koongie Park Formations using an existing track approximately 6km east of the Milba geochemical anomaly. No significant results were returned.

Numerous other prospects were identified which require additional target-definition type exploration work before drill testing can occur. One such area is the Golden Crown South area prospective for gold mineralisation hosted within quartz-carbonate veins and stockwork associated with faulting within the Olympio Formation, a regional host lithology to other gold deposits in the region such as the nearby historical Golden Crown and Biscay gold mines. During the field visit eight rock chip samples were collected from outcropping quartz veins / stockwork rocks with an anomalous result of 31 ppb gold recorded.

To carry out the planned exploration programs, Hexagon has submitted a heritage impact assessment notification to the representative body for the relevant native title claimant groups.

4. SUSTAINABILITY

4.1 Health and Safety-

No injuries or major incidents were recorded for the period during which a significant drill program as well as various environmental surveys were undertaken.

4.2 Environmental Management

4.2.1 Subterranean Fauna Survey

Environmental consultants Biologic Environmental Surveys have finished processing the specimens collected from the final comprehensive subterranean fauna survey completed at the end of June with some specimens requiring further DNA analysis. No areas of concern have been raised by the consultants to date and subject to no new findings, this completes the environmental survey requirements for a mining proposal.

4.2.2 Flora Survey

The report for the final flora survey of the current project area was completed by Onshore Environmental Consultants Pty Ltd in September, 2017. No major areas of concern were raised by the consultants. There were no plant groups found that are gazetted as Threatened Flora pursuant to subsection (2) of section 23F of the Wildlife Conservation Act (1950) (WC Act), or listed under the Environment Protection and Biodiversity Conservation Act (1999) (EPBC Act). A total of four Priority Flora recognised by the Department of Biodiversity, Conservation and Attractions (DBCA) were recorded from the study area. Management strategies can be put in place for the conservation of priority species based on advice from Hexagon's consultants and previous mining proposals.

COMPETENT PERSONS' ATTRIBUTIONS

Exploration Results and Mineral Resource Estimates

The information within this report that relates to exploration results, Exploration Target estimates, geological data and Mineral Resources at the McIntosh and Halls Creek Projects is based on information compiled by Mr Shane Tomlinson and Mr Mike Rosenstreich who are both employees of the Company. Mr Rosenstreich is a Fellow of The Australasian Institute of Mining and Metallurgy and Mr Tomlinson is a Member of the Australian Institute of Geoscientists. They both, individually have sufficient experience relevant to the styles of mineralisation and types of deposits under consideration and to the activities currently being undertaken to qualify as a Competent Person(s) as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves and they consent to the inclusion of this information in the form and context in which it appears in this report.

Metallurgical Test Work Outcomes

The information within this report that relates to metallurgical test work outcomes and processing of the McIntosh material is based on information provided by a series of independent laboratories. Mr Rosenstreich (referred to above) in association with highly qualified and experienced researchers at NAmLab, planned, supervised and interpreted the results of the test work. The NAmLab principals have sufficient experience relevant to the types of test work under consideration and to the activities currently being undertaken to qualify as a Competent Person(s) as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves and have consented to the inclusion of this information in the form and context in which it appears in this report.

5. CORPORATE

Management's core focus continues to be to secure project financing support and offtake interest for the McIntosh Project. As part of that process discussions have been held with a variety of parties from Australia, China, Hong Kong, Japan and North America. The recent positive test work results have added new momentum to that process soliciting inquiries from parties interested in the larger and expandable flake varieties.

Subsequent to the end of the Half Year period, the Company signed a non-binding Memorandum of Understanding with China National Building Materials – General Technology for offtake of approximately 30% of its annual forecast production of 100,000tpa and provision of Project Finance.

The final instalment of the Hengda settlement was received in August as per the overall settlement arrangement reported to ASX on 15 June, 2017.

In December, 2017 the Company sold 1.9 million shares in unlisted Battery Mineral Resources Limited shares. This generated approximately A$1.2 million and was received before 31 December, 2017.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

During 2018 the Company will continue to progress the feasibility study for the McIntosh Project – Stage 1 as well as undertake additional test work on Stage 2 processing options to assist its marketing strategy. It also plans to continue its discussions with potential offtake parties and financiers to secure both to underpin the development of the Project as soon as possible.

AUDITOR'S INDEPENDENCE DECLARATION

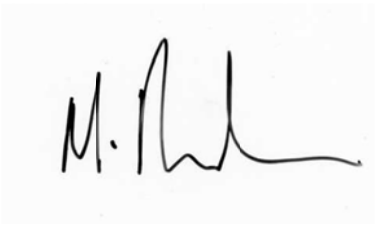
A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 16.

EVENTS AFTER BALANCE SHEET DATE

Subsequent to 31 December 2017, the Company issued 3,000,000 fully paid shares on the exercise of unlisted options at 16.162 cents each raising $484,860.

As at the date of this report the Company had 251,186,747 shares on issue.

Signed in accordance with a resolution of the Board of Directors.



Michael Rosenstreich

Managing Director

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DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF HEXAGON RESOURCES LIMITED

As lead auditor for the review of Hexagon Resources Limited for the half-year ended 31 December 2017, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 15 March 2018

Consolidated Statement of Comprehensive Income
For the half-year ended 31 December 2017

	Note	Half-Year Ended 31 December	
		2017 $	2016 $
Interest Revenue		2,875	4,476
Gain on disposal of investment	2 (b)	1,051,793	
Unrealised foreign exchange loss	2 (a)	(10,429)	70,718
Employee expenses		(212,341)	(196,924)
Share based payment expense	12	(150,279)	-
Corporate and administration expenses		(451,029)	(373,392)
Provision for non-recovery of Hengda Deposit		-	(70,718)
Fair value gain/(loss) on financial liability at fair value through profit or loss	11	-	(308,113)
Profit/(Loss) before income tax		230,590	(873,953)
Income tax expense		-	-
Profit/(Loss) from continuing operations		230,590	(873,953)
Loss from discontinued operations		-	(152,943)
Net profit/(loss) for the half-year		230,590	(1,026,896)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		-	(30,920)
Reclassification of exchange differences on disposal of foreign subsidiary		30,920	-
Available-for-sale financial assets – net change in fair value		(940)	-
Available-for-sale financial assets – reclassified to profit or loss		(1,045,049)	-
Other comprehensive income for the half-year, net of tax		(1,015,069)	(30,920)
Total comprehensive income		(784,479)	(1,057,816)
Earnings/(loss) per Share		*Cents*	*Cents*
Basic and diluted earnings/(loss) per share		0.094	(0.43)
Basic and diluted earnings/(loss) per share - continuing		0.094	(0.37)
Total comprehensive income for the half-year attributable to owners arises from:			
Continuing operations		(784,479)	(873,953)
Discontinued operations		-	(183,863)
		(784,479)	(1,057,816)

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

Consolidated Balance Sheet
As at 31 December 2017

	Note	31 December 2017 $	30 June 2017 $
CURRENT ASSETS			
Cash and cash equivalents		1,102,242	1,856,812
Trade and other receivables		-	127,274
Other assets	4	-	5,815
TOTAL CURRENT ASSETS		1,102,242	1,989,901
NON-CURRENT ASSETS			
Trade and other receivables		1,450	11,450
Available-for-sale financial asset	3	64,062	1,300,052
Plant and equipment		2,603	3,651
Exploration and evaluation assets	4	9,919,876	8,568,394
TOTAL NON-CURRENT ASSETS		9,987,991	8,583,495
TOTAL ASSETS		11,090,233	11,873,448
CURRENT LIABILITIES			
Trade and other payables		131,979	296,488
Derivative financial instruments	11	28,029	28,029
Provisions		16,117	20,623
TOTAL CURRENT LIABILITIES		176,125	345,140
TOTAL LIABILITIES		176,125	345,140
NET ASSETS		10,914,108	11,528,308
EQUITY			
Share capital	5	51,152,064	51,132,064
Reserves	6	1,459,742	2,324,532
Accumulated losses		(41,697,698)	(41,928,288)
TOTAL EQUITY		10,914,108	11,528,308

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

Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2017

Consolidated Entity	Share Capital	Reserves	Accumulated Losses	Total
	$	$	$	$
Balance at 1 July 2016	48,937,564	74,108	(40,231,668)	8,780,004
Transactions with owners in their capacity as owners				
Issue of share capital	2,237,000	-	-	2,237,000
Share based payments	-	808,783	-	808,783
Share issue costs	(110,000)	-	-	(110,000)
Total	2,127,000	808,783	-	2,935,783
Comprehensive income				
Profit (loss) after income tax	-	-	(1,026,896)	(1,026,896)
Other comprehensive income	-	(30,920)	-	(30,920)
Total comprehensive income	-	(30,920)	(1,026,896)	(1,057,816)
Balance at 31 December 2016	51,064,564	851,971	(41,258,564)	10,657,971
Balance at 1 July 2017	51,132,064	2,324,532	(41,928,288)	11,528,308
Transactions with owners in their capacity as owners				
Issue of share capital	20,000	-	-	20,000
Share based payments	-	150,279	-	150,279
Share issue costs	-	-	-	-
Total	20,000	150,279	-	170,279
Comprehensive income				
Profit (loss) after income tax	-	-	230,590	230,590
Other comprehensive income	-	(1,015,069)	-	(1,015,069)
Total comprehensive income	-	(1,015,069)	230,590	(784,479)
Balance at 31 December 2017	51,152,064	1,459,742	(41,697,698)	10,914,108

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

Consolidated Statement of Cash Flows
For the half-year ended 31 December 2017

	Note	Half-Year Ended December 2017 $	2016 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(688,249)	(495,096)
Interest received		2,875	4,476
Net cash provided by/(used in) operating activities		(685,374)	(490,620)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on sale of investment		1,241,793	-
Payments for exploration and evaluation		(1,379,936)	(1,469,588)
Government grants in relation to exploration assets		59,376	602,000
Net cash used in by investing activities		(78,767)	(867,588)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of shares		20,000	2,237,000
Share issue costs		-	(110,000)
Net cash (used in)/ provided by financing activities		20,000	2,127,000
Net increase/ (decrease) in cash and cash equivalents		(744,141)	768,792
Cash and cash equivalents at the beginning of the half-year		1,856,812	1,000,320
Net foreign exchange differences		(10,429)	-
Cash and cash equivalents at the end of the half-year		1,102,242	1,769,112

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

Reporting Entity

Hexagon Resources Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2017 comprises the Company and its controlled entities (together referred to as the "Consolidated Entity").

Statement of Compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. The Company is a for-profit entity for the purpose of preparing the interim financial report.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2017.

This consolidated interim financial report was approved by the Board of Directors on 16 March 2018.

Going Concern

As at 31 December 2017 the Consolidated Entity had cash reserves of $1,102,242, net current assets of $926,117 and net assets of $10,914,108, a profit after tax for the period ended 31 December 2017 of $230,590 and cash outflows from operations of $685,374. The company has not generated revenues from operations.

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 and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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;
- The directors believe there is sufficient cash available for the Consolidated Entity to continue operating and is currently planning capital raising activities to fund its proposed activities until the end of 2018.

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

The accounting policies and methods of computation applied by the Consolidated Entity in the consolidated interim financial report are the same as those applied by the Consolidated Entity in its consolidated financial report as at and for the year ended 30 June 2017.

New and revised standards have been issued by the AASB and are effective for the half-year; however there are no material changes to the policies that affect measurement of the results or financial position of the Consolidated Entity.

Fair Values

The fair values of Consolidated Entity's financial assets and liabilities approximate their carrying value due to their short term nature. No financial assets or liabilities are readily traded on organised markets in standardised form.

	December 2017 $	December 2016 $

NOTE 2 SIGNIFICANT TRANSACTIONS DURING PERIOD

(a) Unrealised foreign exchange loss

	10,429	-

In December 2017 the company sold its investment in Battery Minerals Resources Limited (unlisted) to third parties. Refer Note 2 (b) below. Funds were received in AUD and USD. A portion of USD has been retained in USD and was revalued at 31 December 2017 resulting in an unrealised foreign exchange loss.

(b) Profit on sale of investment

	1,051,793	-

In December 2017 the company sold most of its investment in Battery Minerals Resources Limited (unlisted) to third parties. The company held 2,000,000 shares in Battery Mineral Resources Limited at an initial price of A$10 cents each. In June 2017, the shares were revalued at US$0.50 each. In December 2017, 1,900,000 shares were sold at US$0.50 each, resulting in a profit on disposal.

NOTE 3 AVAILABLE FOR SALE FINANCIAL ASSET

Investment Battery Minerals Resources Limited (unlisted)	64,062	1,300,052
	64,062	1,300,052

NOTE 4 EXPLORATION EXPENDITURE

Exploration expenditure capitalised		
Balance at the beginning of the period	8,568,394	8,036,814
Exploration expenditure during the period	1,419,272	2,683,996
Asset disposed of	(8,414)	(1,216,677)
Impairment of exploration assets	-	(333,739)
Research and development grants relating to exploration expenditure	(59,376)	(602,000)
	9,919,876	8,568,394

Recovery 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 area of interest.

NOTE 5 SHARE CAPITAL

Ordinary Shares (Fully Paid)

	December 2017 Number	December 2016 Number	December 2017 $	December 2016 $
At the beginning of the half-year	246,366,747	233,829,247	51,132,064	48,937,564
Issue of shares (1)	1,570,000	10,000,000	-	2,000,000
Exercise of Options (2)	250,000	1,975,000	20,000	237,000
Share issue expenses (3)	-	-	-	(110,000)
At reporting date	248,186,747	245,804,247	51,324,764	51,064,564

(1) 2017: 1,570,000 ordinary fully paid shares were issued at $0.11 per share under an employee incentive loan scheme. The shares are funded through a limited recourse loan which expires 10 years from the grant date. Refer Note 12.
1,070,000 of those shares are subject to vesting conditions, none of which have been met as at 31 December 2017.
500,000 of those shares are not subject to vesting conditions and fully vested at issue.
(2) 2017: 250,000 ordinary fully paid shares were issued on the exercise of options at $0.08.
(3) 2016: Amount relates to costs associated with the share capital raised under the 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.

	December 2017 $	December 2016 $

NOTE 5 SHARE CAPITAL (cont)

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

		Movements (number of options)				
Expiry Date	Exercise Price	1 July 2017	Issued	Exercised	Expired	31 December 2017
3 March 2018	$0.16162	3,000,000	-	-	-	3,000,000
30 September 2017	$0.12	4,131,250	-	-	(4,131,250)	-
11 November 2017	$0.08	300,000	-	(250,000)	(50,000)	-
30 June 2018 (1)	$0.133	3,250,000	-	-	-	3,250,000
30 June 2018 (1)	$0.133	1,250,000	-	-	-	1,250,000
16 December 2019	$0.28	2,000,000	-	-	(2,000,000)	-
16 December 2019	$0.40	2,000,000	-	-	(2,000,000)	-
16 December 2019	$0.50	2,000,000	-	-	(2,000,000)	-
16 October 2020 (2)	$0.15	-	8,282,500	-	-	8,282,500
16 October 2020 (2)	$0.17	-	8,282,500	-	-	8,282,500
16 October 2020 (2)	$0.21	-	8,282,500	-	-	8,282,500
		17,931,250	24,847,500	(250,000)	(10,181,250)	32,347,500

Terms and conditions of options issued

(1) Subject to vesting conditions.

(2) 24,847,500 options were issued under an employee share option plan with an expiry date of 16 October 2020, subject to vesting conditions. As at 31 December 2017, none of the vesting conditions have been met.

- 8,282,500 options are exercisable at 15 cents each. Refer Note 12.
- 8,282,500 options are exercisable at 17 cents each. Refer Note 12.
- 8,282,500 options are exercisable at 20 cents each. Refer Note 12.

NOTE 6 RESERVES

Share Option reserve	1,405,680	1,255,400
Available-for-sale reserve	54,062	1,100,052
Foreign currency translation reserve	-	(30,920)
	1,459,742	2,324,532

Share Option reserve movements during the period		
Opening balance	1,255,400	88,628
Issue of options during the period	150,279	1,166,772
Closing balance	1,405,679	1,255,400

Share Option reserve

The Share Option reserve represents the value of options issued to employees, directors and service providers engaged in capital raising activities.

Foreign currency translation reserve movements during the period		
Opening balance	(30,290)	(14,520)
Currency translation differences arising during the period	-	(16,400)
Disposal foreign controlled entities	30,290	-
Closing balance	-	(30,290)

	December 2017 $	December 2016 $

NOTE 6 RESERVES (cont)

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 transferred to profit and loss when the net investment is disposed of.

Available-for-sale reserve movements during the period		
Opening balance	1,100,052	-
Gain on the revaluation of available-for-sale financial assets	-	1,100,052
Reversal revaluation reserve on sale	(1,045,049)	-
Loss on the revaluation of available-for-sale financial assets	(940)	-
Closing balance	54,063	1,100,052

Available-for-sale reserve

The reserve is used to recognise increments and decrements in the fair value of available-for-sale financial assets. Refer Note 2 (b) and Note 3. The reserve recognises increment in the fair value of remaining available-for-sale financial assets, being the investment in Battery Minerals Resources Limited (unlisted).

NOTE 7 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 one segment during the half-year, that being exploration for minerals within Australia.

For the half-year ended 31 December 2017 no revenue has been derived from external customers from the exploration for minerals segment.

NOTE 7 SEGMENT REPORTING (cont.)

Segment Results

31 December 2017	South Korea $	Australia $	Consolidated $
Segment result	-	230,589	230,589
Net Profit (Loss)	-	230,589	230,589
31 December 2017			
Assets:			
Segment assets	-	11,090,233	11,090,233
Consolidated Total Assets	-	11,090,233	11,090,233
Liabilities:			
Segment liabilities	-	176,125	176,125
Consolidated Total Liabilities	-	176,125	176,125

31 December 2016	South Korea $	Australia $	Consolidated $
Segment result	(152,943)	(873,953)	(1,026,896)
Net Profit (Loss)	(152,943)	(873,953)	(1,026,896)
30 June 2017			
Assets:			
Segment assets	-	11,873,448	11,873,448
Consolidated Total Assets	-	11,873,448	11,873,448
Liabilities:			
Segment liabilities	-	345,140	345,140
Consolidated Total Liabilities	-	345,140	345,140

NOTE 8 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There has been no change to contingent assets and contingent liabilities disclosed in the 30 June 2017 financial report.

NOTE 9 COMMITMENTS FOR EXPENDITURE

Future exploration commitments

The Company 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 Company. The commitments at 31 December 2017 were as follows:

	$
Exploration commitments	
Less than 12 months	1,002,020
Between 12 months and 5 years	887,500
Greater than 5 years	-
	1,889,520

To keep tenements in good standing, work programs should meet certain minimum expenditure requirements. If the minimum expenditure requirements are not met, the Company has the option to negotiate new terms or relinquish the tenements. The Company also has the ability to meet expenditure requirements by joint venture or farm-in agreements.

Operating lease commitments

The Company leases office premises under non-cancellable operating leases. The lease terminates on 1 January 2018 and has further options to renew for 12 months each. The company has not exercised the option to renew and the lease has reverted to a month to month arrangement.

NOTE 10 EVENTS AFTER BALANCE SHEET DATE

Subsequent to 31 December 2017, the company signed a non-binding Memorandum of Understanding (MoU) with China National Building Materials - General Technology Co. Ltd (CNMMGT) of China, to purchase 30% of planned primary production from Hexagon's McIntosh Graphite project located in Western Australia. In addition, the parties have agreed to negotiate project finance, pre-payment and other debt facilities to expedite project construction.

Subsequent to 31 December 2017, the company issued 3,000,000 fully paid shares on the exercise of unlisted options at $0.16162 each, raising $484,820.

	December 2017 $	June 2017 $
NOTE 11 DERIVATIVE FINANCIAL INSTUMENTS		
Derivative financial instruments	28,029	28,029

In conjunction with a convertible note issue in a prior year a 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 $0.16162 cents per share and the expiry date is 3 March 2018. Prior to expiry on 3 March 2018, all 3,000,000options were exercised.

Fair value hierarchy disclosures

The derivative liability was considered a Level 3 measurement as the valuation technique used inputs that are not based on observable market data. Specifically, the derivative liability was valued using an option pricing model that incorporates the share price at balance date, exercise price, life, volatility and risk free rate. An increase in the share price, life, volatility or risk free rate will result in an increase the fair value of the liability.

There were no transfers between levels during the financial half-year.

NOTE 12 SHARE BASED PAYMENTS

Set out below are details on share based payments that occurred during the six months to 31 December 2017.

Employee share loan scheme
In October 2017, employees of the company were granted shares in the company by way of a share loan scheme. A total of 1,570,000 shares were issued under the scheme. The shares are funded by way of a non-recourse, interest free loan. 500,000 scheme shares fully vested on issue. 1,070,000 scheme shares have vesting conditions attached, whereby employees are not able to deal in the shares until performance targets have been met. As at balance date no performance targets have been met.

Vesting conditions are as follows (in any order):
Completion of feasibility study for the McIntosh project; completion of technical data storage system; implementation of tenement reporting system; completion of heritage clearance procedures for fieldwork at McIntosh and Halls Creek; maintain LTIFR below industry standard on fieldwork programs; complete Geo-Met model for each mineral resource; and 100% increase in mineral resources for the McIntosh project.

The assessed fair value of shares granted is allocated equally over the period from grant date to a vesting date, estimated to be three years. The fair value of the shares is estimated at the date of grant using a Black-Scholes pricing model, or single barrier share option pricing model, taking into account the terms and conditions upon which the shares were granted.

Employee Share Option Scheme
In October 2017, employees and consultants of the company were granted options in the company. A total of 24,847,500 options were issued in three equal tranches of 8,282,500 options with an expiry date of 16 October 2020. The exercise price of tranche 1 options is $0.15; tranche 2 options $0.17; and tranche 3 options $0.21. All options have market and non-market related vesting conditions attached. The market related conditions require the closing share price to meet or exceed a particular barrier for 15 consecutive days. The non-market conditions relate to individual performance targets. As at balance date, no vesting conditions have been met.

Vesting conditions are as follows (in any order):
Completion of feasibility study for the McIntosh project; secure binding offtake agreement with third party for more than 50% of planned production at McIntosh; obtain finance to fully fund development of McIntosh to first production; transition of finance, account and company secretary functions; establish feasibility study level flowsheet with 15% lower unit operating cost than PFS; establish feasibility study level flowsheet with flake size distribution containing greater than 30% flake at greater than 150 microns; implementation monthly accounting reporting system; and canvass new share registry service to achieve lower costs.

The assessed fair value of options granted is allocated equally over the vesting period from grant date to the expected vesting date. The fair value of the shares is estimated at the date of grant using an up and in single barrier share option pricing model. The model takes into consideration that the options will vest at any time during the performance period, given that the share price barrier is met.

	Options			**Shares**	
	Tranche 1	Tranche 2	Tranche 3	Fully Vested	Unvested
Valuation Date	25 Sep 2017	25 Sep 2017	25 Sep 2017	25 Sep 2017	25 Sep 2017
Expiry Date	16 Oct 2020	16 Oct 2020	16 Oct 2020	16 Oct 2027	16 Oct 2027
Underlying share price	$0.095	$0.095	$0.095	$0.095	$0.095
Exercise price	$0.15	$0.17	$0.20	$0.11	$0.11
Risk-free rate	2.13%	2.13%	2.13%	2.80%	2.80%
Dividend yield	Nil	Nil	Nil	Nil	Nil
Volatility	85%	85%	85%	85%	85%
Share price barrier	$0.20	$0.21	$0.23	Nil	Nil
Value per Option/Share	$0.042	$0.039	$0.035	$0.079	$0.079
Number of options/shares	8,282,500	8,282,500	8,252,500	500,000	1,070,000
Total Value	$347,865	$323,018	$289,888	$39,555	$84,645

NOTE 12 SHARE BASED PAYMENTS (cont)

Options and shares issued to the directors during the six months to 31 December 2017:

	Options			Shares	
Directors	Tranche 1	Tranche 2	Tranche 3	Fully Vested	Unvested
Mr C Whitfield	2,975,000	2,975,000	2,975,000	-	-
Mr M Rosenstreich	4,250,000	4,250,000	4,250,000	500,000	500,000
Mr G Plowright	637,500	637,500	637,500	-	-
Total	7,862,500	7,862,500	7,862,500	500,00	500,000

Expenses arising from share based payment transactions

	December 2017 $	December 2016 $
Options issued to directors prior year		
- Mr C. Whitfield	30,315	23,493
- Mr G Plowright	15,157	7,136
Options issued to employees prior year	7,173	25,106
Options issued to directors in current period		
- Mr C Whitfield	19,173	-
- Mr M Rosenstreich	27,389	-
- Mr G Plowright	4,109	-
Options issued to employees and consultants in current period	2,707	-
Loan shares issued to directors in current period (fully vested)		
- Mr M Rosenstreich	39,554	-
Loan shares issued directors in current period (unvested)		
- Mr M Rosenstreich	2,197	-
Loan shares issued to employees in current period (unvested)	2,505	
	150,279	55,735

NOTE 13 RELATED PARTY AND KEY MANAGEMENT PERSONNEL

Options issued to directors prior year	45,472	30,629
Options issued to directors in current period	50,671	-
Loan shares issued to directors	41,751	-
	137,894	30,629

Refer Note 12 for more details.

DIRECTORS' DECLARATION

In the directors' opinion:

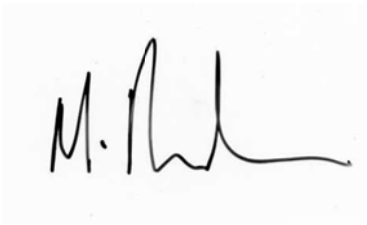
- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors



Michael Rosenstreich
Director
15 March 2018

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Hexagon Resources Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Hexagon Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated balance sheet as at 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001.*

Emphasis of matter – Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

BDO Audit (WA) Pty Ltd

Jarrad Prue

Director

Perth, 15 March 2018