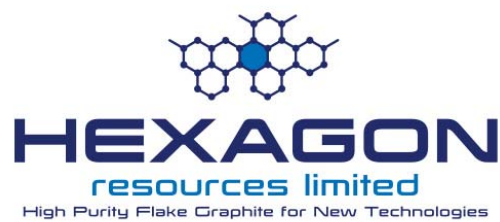




**HEXAGON RESOURCES LIMITED**  
**ABN 27 099 098 192**

**INTERIM FINANCIAL REPORT**  
**FOR THE HALF-YEAR ENDED**  
**31 DECEMBER 2016**



## 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 and Brent Van Staden

<p><b>Registered Office</b></p> <p>Level 16 344 Queen Street Brisbane QLD 4000</p> <p>GPO Box 363 Brisbane QLD 4001</p> <p>Telephone: +61 7 3221 6022</p> <p>Email: <a href="mailto:info@hexagonresources.com">info@hexagonresources.com</a> Website: <a href="http://www.hexagonresources.com">www.hexagonresources.com</a></p>	<p><b>Management Office</b></p> <p>Unit 4, 20 Peel Road O'Connor WA 6163</p> <p>Telephone: 0427 349 451</p> <p>Email: <a href="mailto:info@hexagonresources.com">info@hexagonresources.com</a> Website: <a href="http://www.hexagonresources.com">www.hexagonresources.com</a></p>
<p><b>Auditors</b></p> <p>BDO Audit Pty Ltd Level 10, 12 Creek Street Brisbane QLD 4000</p> <p>Telephone: 07 3237 5999 Fax: 07 3221 9227 Website: <a href="http://www.bdo.com.au">www.bdo.com.au</a></p>	<p><b>Share Registry</b></p> <p>BoardRoom Pty Ltd Level 12 225 George Street Sydney NSW 2000</p> <p>Telephone: 1300 737 760 Facsimile: 1300 653 459 Website: <a href="http://www.boardroomlimited.com.au">www.boardroomlimited.com.au</a></p>

## 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 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 half-year are:

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

### OPERATING RESULTS

For the half-year ended 31 December 2016, the loss for the Consolidated Entity after providing for income tax was \$1,026,896 (2015: loss \$579,681).

### 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 advanced exploration projects at McIntosh, Halls Creek and Mabel Downs in East Kimberley of Western Australia.

The prime focus of the Company continues to be the McIntosh flake graphite project in the East Kimberley, with limited field work undertaken at Halls Creek and Mabel Downs during the half year.

### RECENT HIGHLIGHTS FOR THE COMPANY

- McIntosh resource has been expanded and further analysed resulting in an increase of 18% in Total Contained Graphite and an 57% increase in Indicated resources at the focus deposits of Emperor and Wahoo;
- Excellent results from battery material test work implying that material from all of Hexagon's deposits will be saleable to the battery industry after only a simple crush, grind and float separation process without the need for additional beneficiation (such as acid leach);
- The Company successfully completed a AUD2million raise from two high quality institutional investors. The raise demonstrates the progress made by the Company now allows it to attract capital from the most sophisticated investor groups and is becoming a chosen play for battery graphite investment;
- The disposal of Hexagon's South Korean assets, held by the Opirus subsidiary, was completed soon after the year end. This sale gives company additional capital, lowers burn rate, allows focus on McIntosh and, through equity consideration received, gives Hexagon upside on a very prospective cobalt play;
- During the second half of 2016, Hexagon continued to mould both the management team and board to meet the changing needs of the company as it progresses to production. Charles Whitfield joined as a non-executive director, but with an aim to provide additional consultation as required. Other changes in both broadening the management team and board positions are in process.

### MCINTOSH FLAKE GRAPHITE PROJECT

#### Pre-Feasibility Study ("PFS")

Hexagon is looking forward to publishing the results of the Pre-Feasibility Study in the very near future. In the preparation of the study, many positive findings have already been confirmed including:

- Drilling program completed allowing upgrade of further resources in preparation for commencement of mining;
- Open pit mining optimisation results demonstrate the potential for multiple low strip ratio, open pit operations across a range of production scenario;
- Environmental surveys for the mining proposal are well advanced with baseline flora and fauna surveys completed with no concerning findings;

- Confirmation of superior metallurgy +99% TC ultra-high purity graphite concentrate can be achieved from conventional crush, grind and flotation without the use of chemicals;

The PFS will confirm Hexagon is well positioned to take advantage of the unprecedented demand from the lithium ion battery market, and the rapidly emerging graphene market, by producing premium quality graphite and graphene.

### **Stage1 Lithium Ion Battery Results**

Test work was conducted on a 97.5% TC blended flake graphite concentrate containing all the flake sizes, produced from a 300kg representative sample from HQ diamond drill core from the McIntosh project by an independent company in the USA.

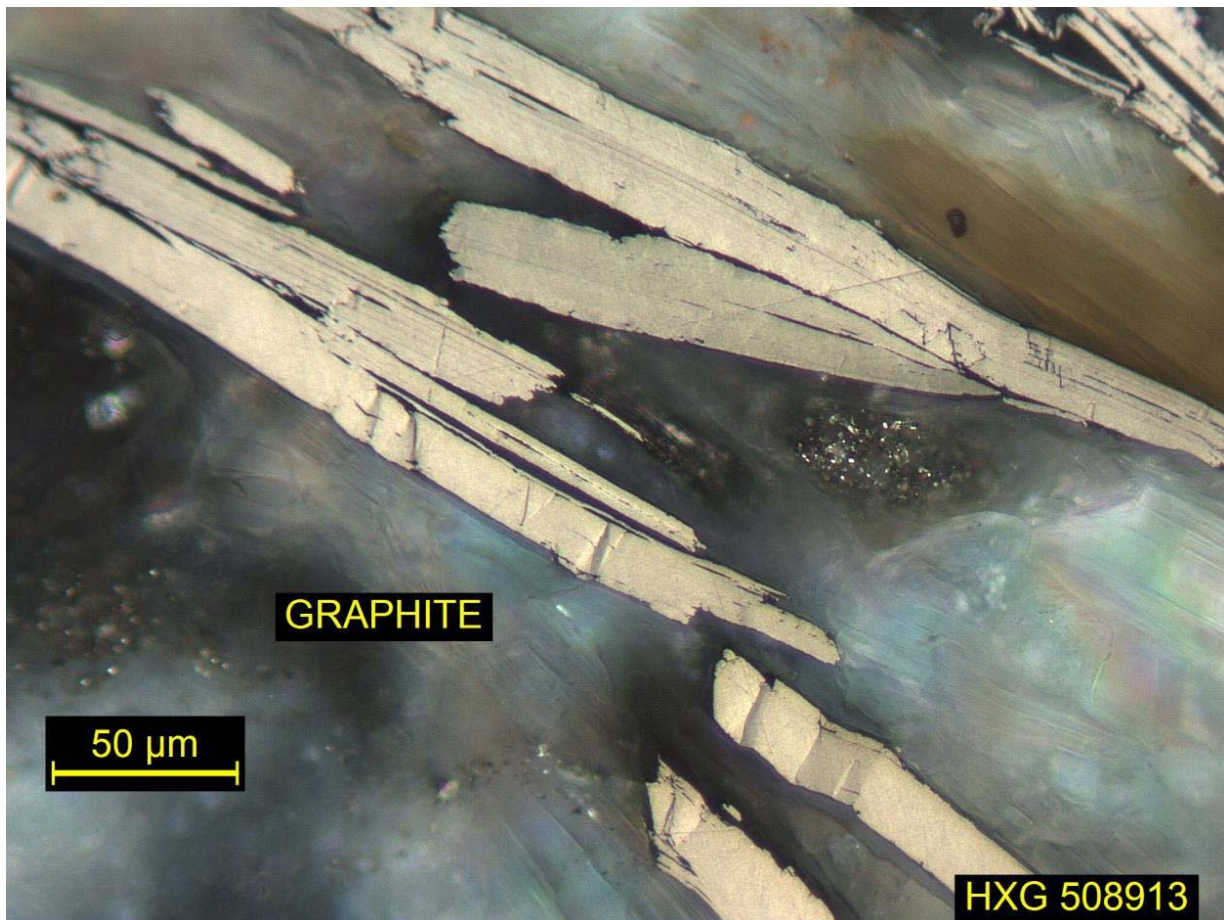
Test work demonstrate excellent reversible capacity >370mAh/g on a representative McIntosh flake graphite blended concentrate (coin cell data, electrode: 91.9 wt% graphite, 2% conducting carbon, 6.1% binder). These reversible capacity results are within experimental error of full theoretical capacity for graphite (372mAh/g) and were achieved prior to any spheronisation or coating process being applied.

Crystallite size and BET surface are normal for flake graphite, and surface area after grinding to 635 mesh is ~ 6.2m<sup>2</sup>/g being a good result for next stage processing of spheronisation and coating. The McIntosh representative, blended concentrate displays high reversible capacity and at this stage of testing does not exhibit any characteristics that would make it not suitable for LIB applications.

### **Jumbo Flake recorded in thin section at Marlin and Mahi Mahi**

Thin section analysis was completed on rock chip samples collected from surface at the Marlin and Mahi Mahi prospects has identified graphite flakes with long dimensions frequently exceeding 500µm occurring singly and in bunches, with good orientation.

Rock chip samples taken from the Marlin and Mahi Mahi prospects indicate flake graphite concentrations around 5 to 10%, being consistent with the other JORC resources already defined at McIntosh.



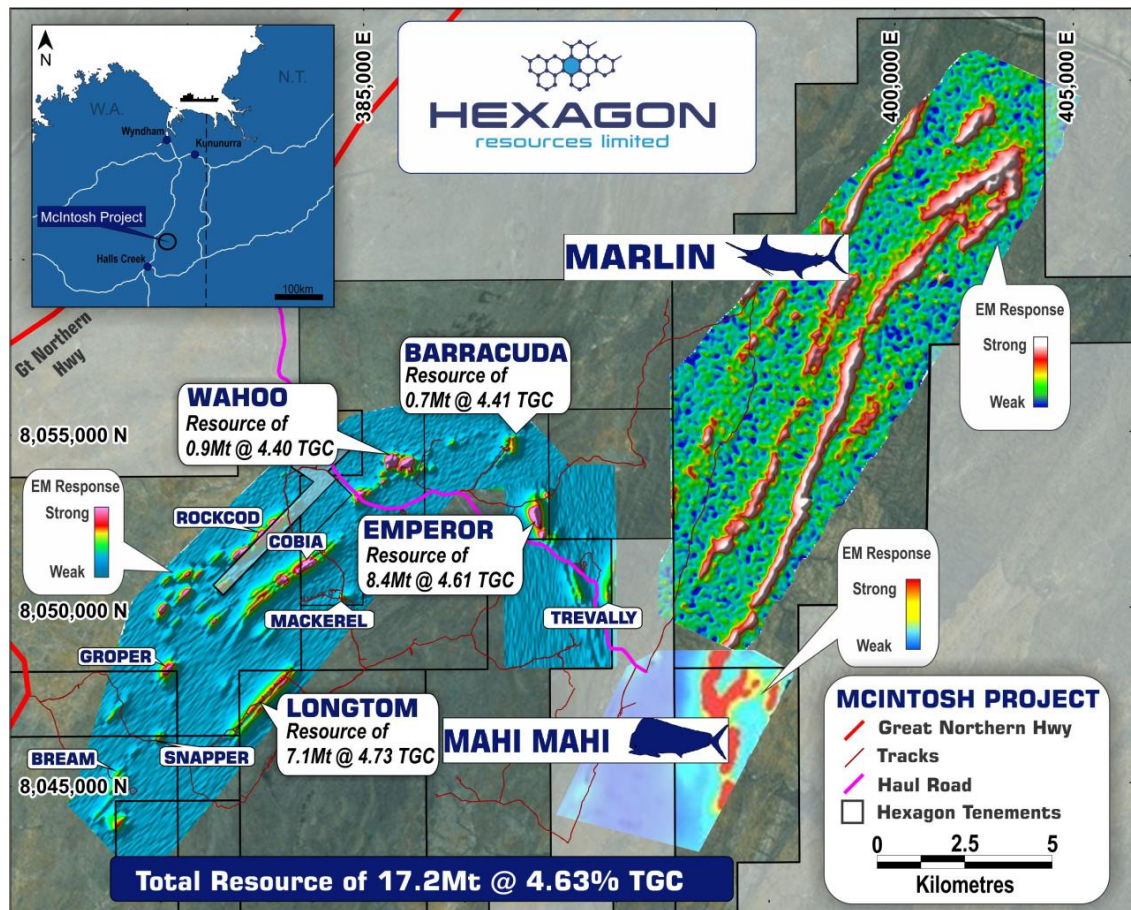
**Figure 1: Jumbo flake graphite in thin section from surface rock chip sample HXG 508913 (396578mE; 8059820mN) at the Marlin prospect**



Figure 1 shows a thin section photomicrograph taken from a surface sample at the Marlin prospect, the graphite demonstrates good flake size which is important for easy liberation during processing and is also highly crystalline, allowing for ultra-high purity concentrates to be produced. The flake graphite is extremely well formed and contains no, to very little interstitial deleterious material, and it is for all these reasons that ultra-high purity flake graphite concentrates of +99%TC can be achieved, using a simple process, with no acids.

Ultra-high purity flake graphite from McIntosh is ideal feedstock for spherical graphite for use in the anodes of lithium-ion batteries. McIntosh flake graphite concentrates can be successfully purified to battery grade using a thermal process, also without the use of any toxic acids, making the McIntosh product a highly attractive material for battery producers.

### Electromagnetic Survey at the Marlin and Mahi Mahi Prospects



**Figure 2: Location of the Marlin and Mahi Mahi prospects with old EM data highlighting the significant potential at the McIntosh Project in the East Kimberley, Western Australia.**

Xcite™ electromagnetic survey was completed over the Marlin and Mahi Mahi prospects aimed at doubling the exploration target estimate for the McIntosh project. Figure 2 shows the location of the Marlin and Mahi Mahi prospects in relation to the existing deposits at Emperor, Wahoo, Barracuda and Longtom. Results including an upgraded exploration target estimate for the McIntosh project is due in the coming weeks.



**Figure 3: New Resolution Geophysics (Australia) Xcite™ system**

### **McIntosh Resource Upgrade**

Subsequent to the end of the half year, a resource upgrade for the project provided further evidence of the continuity of the grade, scale and quality of the deposits at McIntosh to underpin a long-life mining centre, producing a high purity flake graphite concentrate as feed stock for production of high value spherical graphite. The updated resource, which represents a 57% increase in the total indicated resource, now comprises a total of 20.9Mt grading 4.5% TGC for 940,500 tonnes of battery relevant contained graphite, see Table 1.

The new resource estimate includes the results of the successful 2016 drilling campaign completed in the second half of 2016 and represents a 22% increase in total resource tonnage compared with the resource upgrade announced on 27th January 2016 (see ASX: HXG announcement – Australia's Largest Flake Graphite Resource).

<b>Deposit</b>	<b>JORC Classification</b>	<b>Material Type</b>	<b>Tonnes (Mt)</b>	<b>TGC (%)</b>	<b>Contained Graphite (Tonnes)</b>
<b>EMPEROR</b>	<i>Indicated</i>	<i>Oxide</i>	-	-	-
		<i>Primary</i>	6.9	4.4	300,000
	<i>Inferred</i>	<i>Oxide</i>	-	-	-
		<i>Primary</i>	4.5	4.5	202,000
	<b>Indicated + Inferred</b>	<b>Oxide + Primary</b>	<b>11.4</b>	<b>4.4</b>	<b>502,000</b>
<b>LONGTOM</b>	<i>Indicated</i>	<i>Oxide</i>	-	-	-
		<i>Primary</i>	4.5	4.7	210,500
	<i>Inferred</i>	<i>Oxide</i>	0.5	4.5	24,500
		<i>Primary</i>	2.1	4.8	103,000
	<b>Indicated + Inferred</b>	<b>Oxide + Primary</b>	<b>7.1</b>	<b>4.7</b>	<b>338,000</b>
<b>WAHOO</b>	<i>Indicated</i>	<i>Oxide</i>	-	-	-
		<i>Primary</i>	1.0	4.4	44,500
	<i>Inferred</i>	<i>Oxide</i>	0.2	-	-
		<i>Primary</i>	0.3	4.1	23,000
	<b>Indicated + Inferred</b>	<b>Oxide + Primary</b>	<b>1.6</b>	<b>4.3</b>	<b>67,500</b>
<b>BARRACUDA</b>	<i>Inferred</i>	<i>Oxide</i>	0.3	4.5	11,500
		<i>Primary</i>	0.5	4.4	21,500
	<b>Inferred</b>	<b>Oxide + Primary</b>	<b>0.7</b>	<b>4.4</b>	<b>33,000</b>
<b>Total Resource</b>	<b>Indicated + Inferred</b>	<b>Oxide + Primary</b>	<b>20.9</b>	<b>4.5</b>	<b>940,500</b>

Notes: 1. Longtom has a 2% TGC lower cut-off grade. Emperor, Wahoo and Barracuda have a 3% TGC lower cut-off grade.

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

**Table 1**



## Emperor

Updated JORC 2012 compliant resources for Emperor has delivered a 103% increase in the total indicated resources along with a 30% increase in total contained graphite for the deposit. The resource upgrade along with the outstanding bulk scale metallurgical results, demonstrate the size, quality and purity of the flake graphite at McIntosh. The Emperor and Wahoo deposits will form the majority of resource / reserve base for the Pre-Feasibility Study calculations.

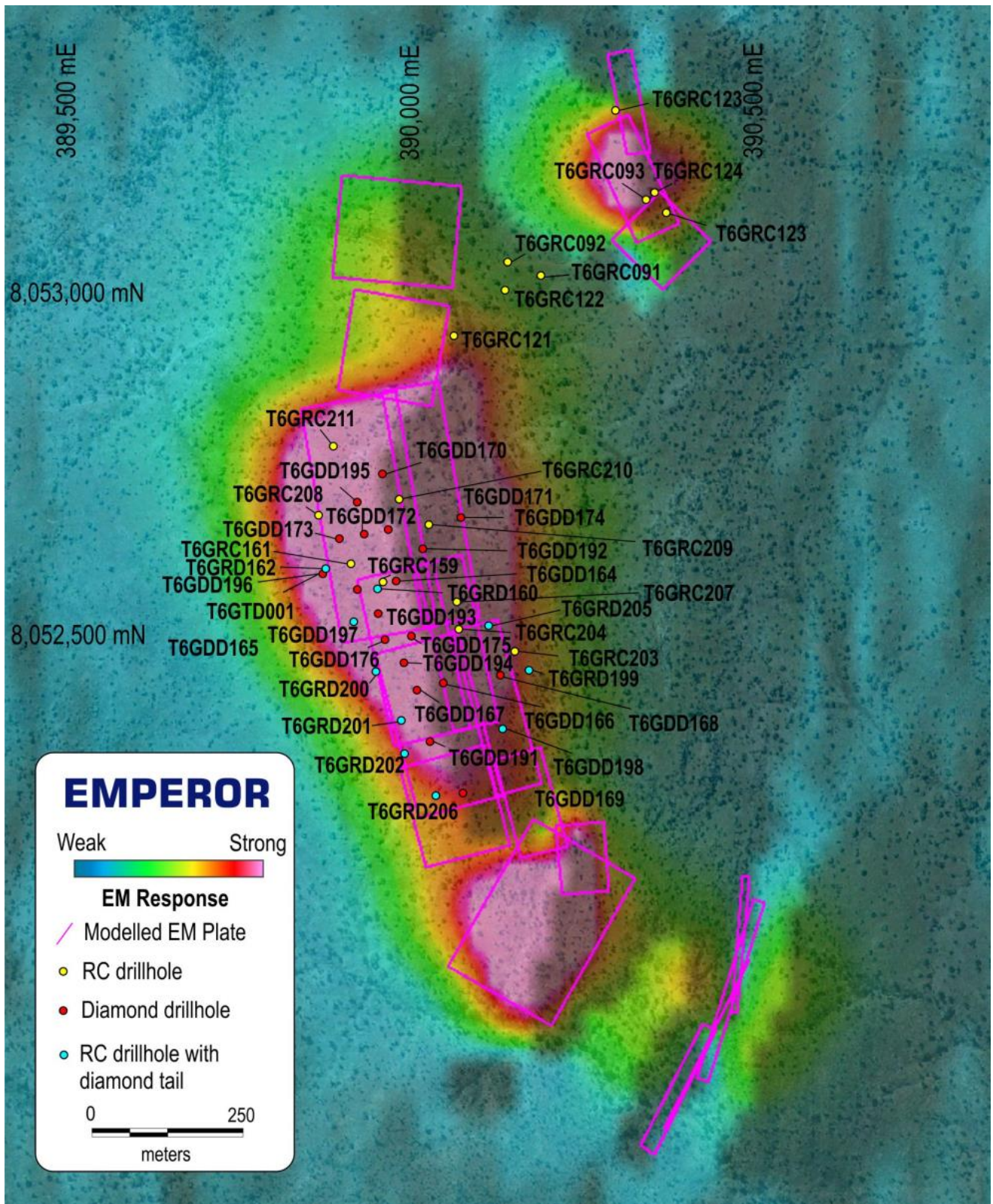
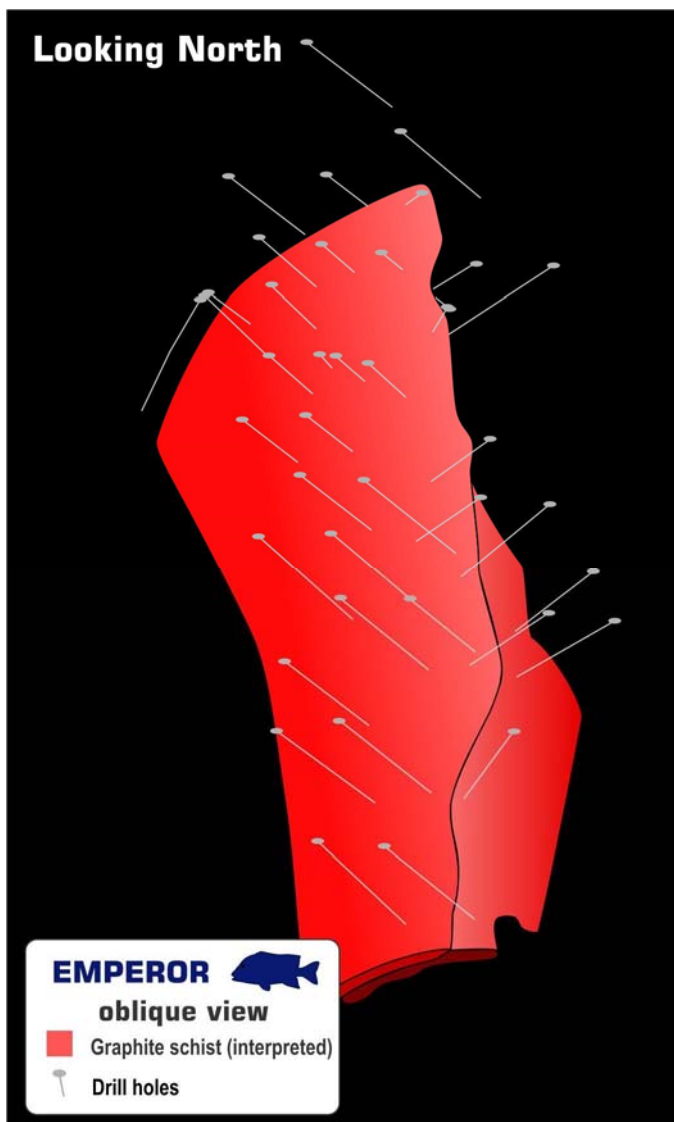


Figure 4: Plan view of drill hole collar locations at the Emperor deposit



**Figure 5: Oblique view of the Emperor Resource Model**

### **Wahoo**

Updated JORC 2012 compliant resource for Wahoo has delivered a 78% increase in the total resources along with a 67% increase in total contained graphite for the deposit. Wahoo has also demonstrated outstanding bulk scale metallurgical results, with a +99% TC concentrate produced from simple flotation, combined with a +370mAh/g reversible capacity demonstrated across the entire flake size range in the stage 1 lithium-ion battery test work completed in the USA.



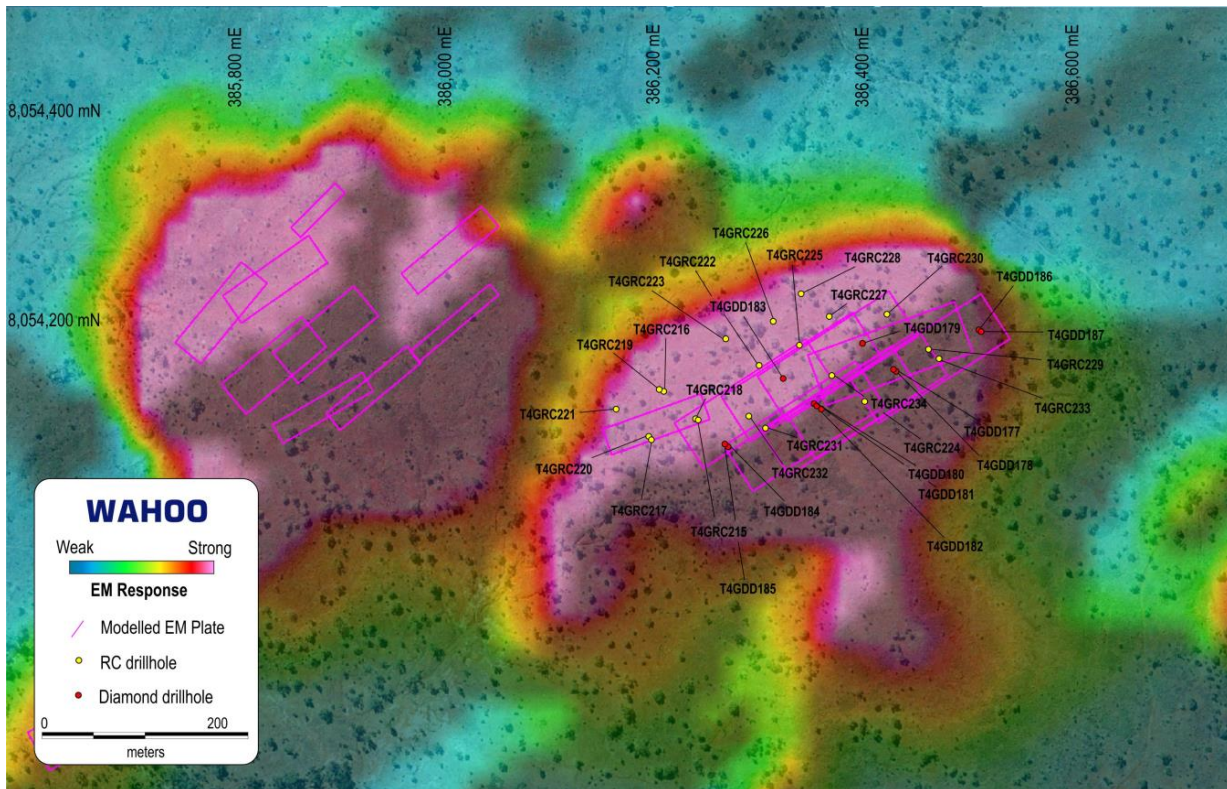


Figure 6: Plan view of the drill hole collar locations at Wahoo

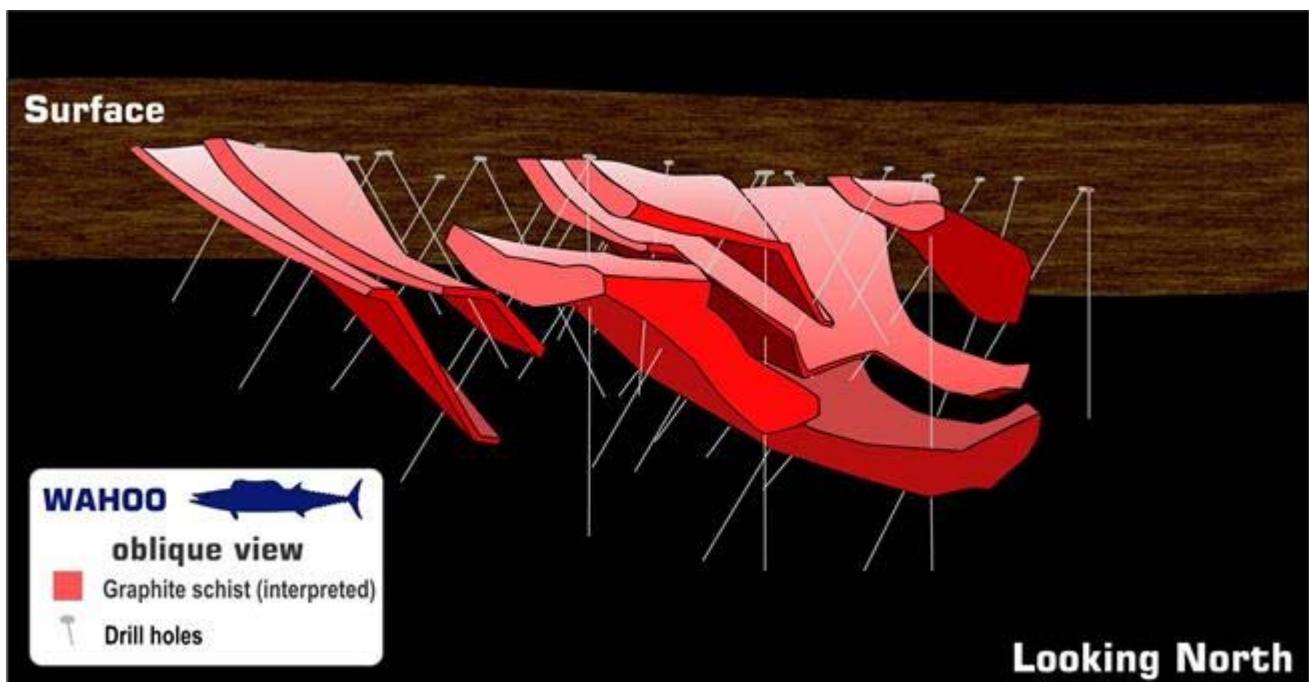


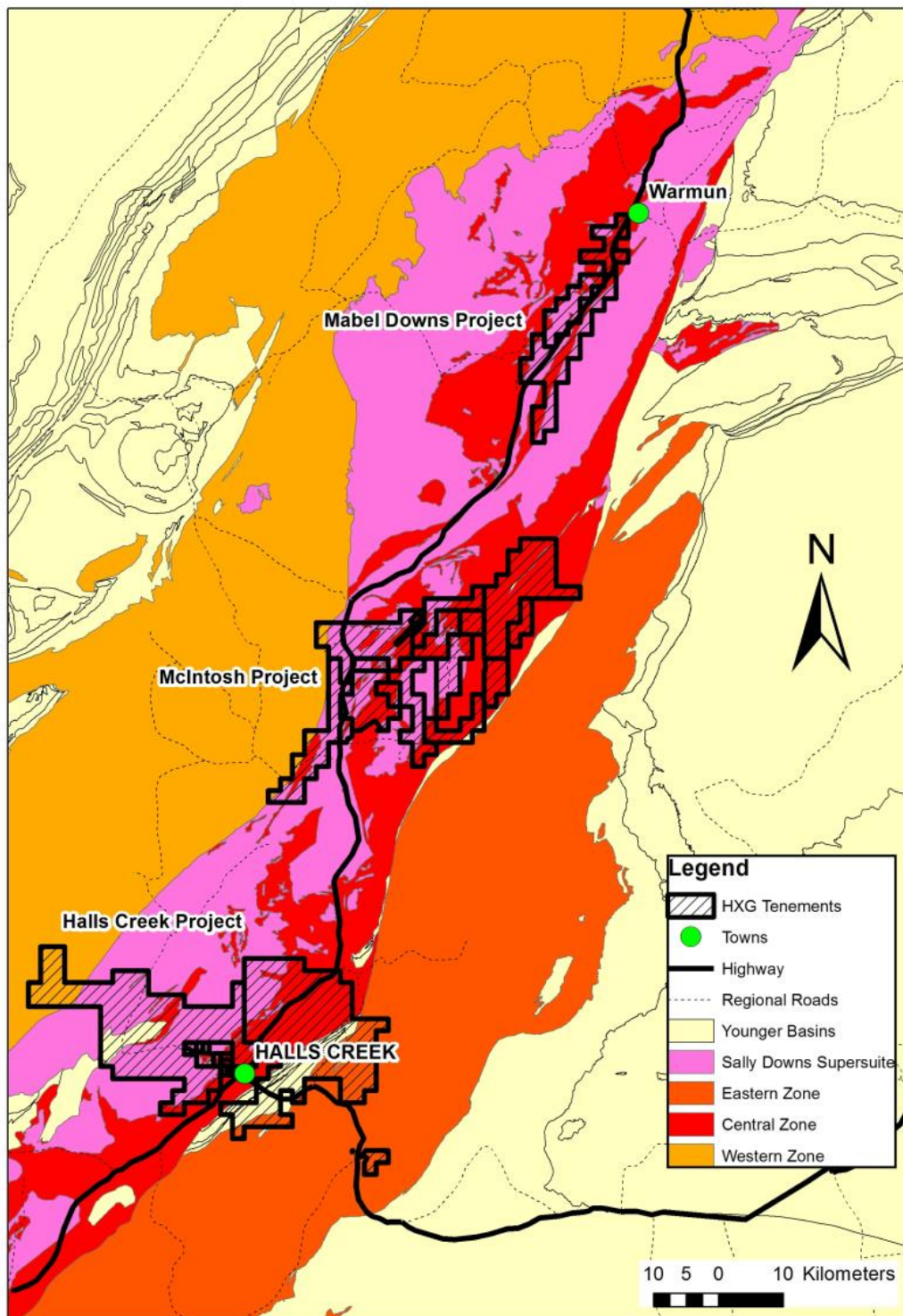
Figure 7: Oblique view of the Wahoo Deposit, looking north

## OTHER RESOURCE UPDATES

### Gold and Base Metal Assessment

During the quarter Hexagon reported on the results of a high-level desktop assessment regarding gold, base metal and platinum group element prospectivity on its 100% owned tenements located in the East Kimberley region of Western Australia.

The desktop assessment will provide the Company a forward looking work program aimed at providing confidence to the Company to progress with the development of these assets. Whilst our focus remains graphite, we believe it very important that we find ways to maximize our shareholders value with respect to significant potential of our Halls Creek tenements and this is our first steps to do so.



**Figure 8: Hexagon's 100% Tenement Holdings in the East Kimberley, Western Australia**

The areas of interest arising from CSA Global's study include:

**Magmatic Sulphide (Ni / Cu / PGE) in the McIntosh and Mabel Downs projects (see Figures 9 & 10):**

- The McIntosh project area immediately along strike in either direction to the Copernicus Open Cut Mine.
- The Mabel Downs project area immediately along trend of the Savannah Mine where there are a number of mafic-ultramafic intrusive bodies of the Sally Malay suite.
- The remainder of these two project areas (McIntosh and Mabel Downs) remain highly prospective for conduit hosted magmatic hosted Nickel / Copper / PGE massive sulphide mineralization.



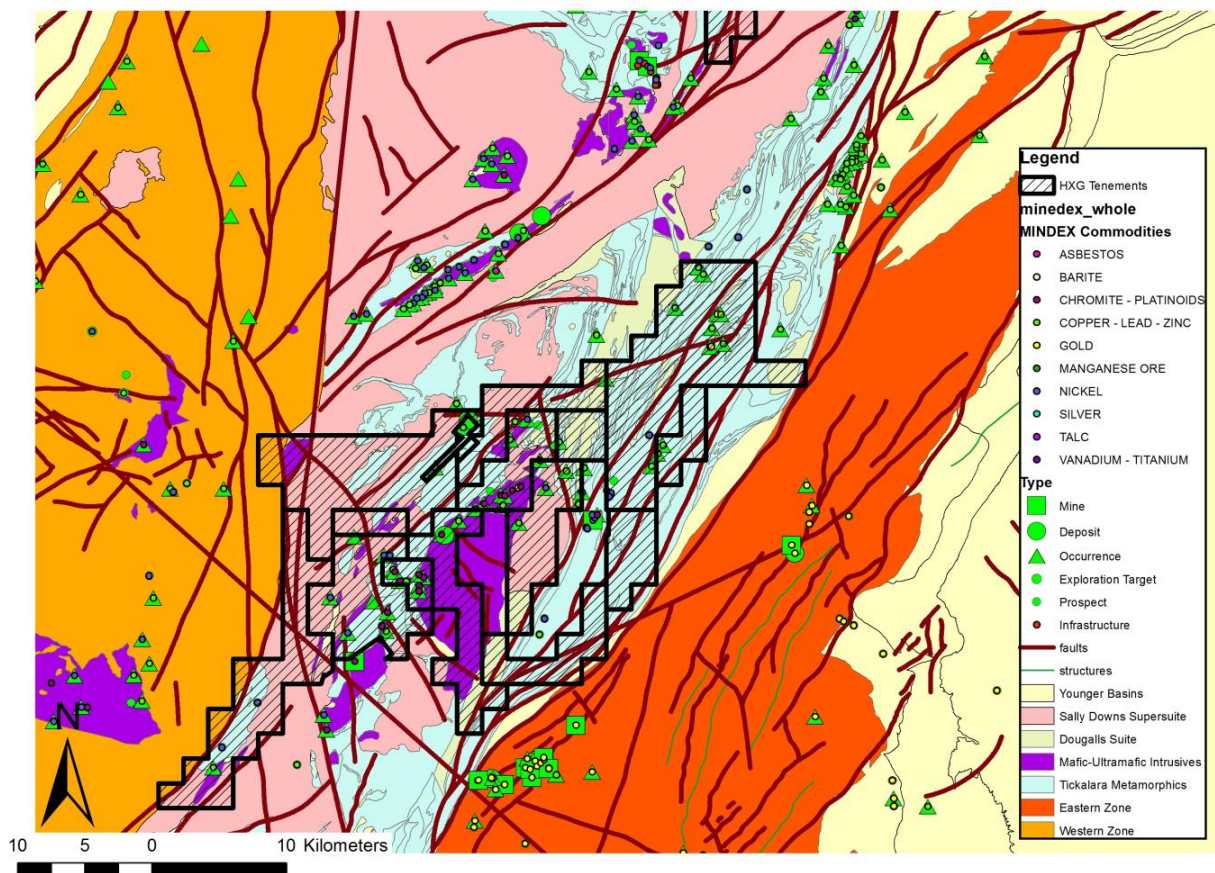


Figure 9: Hexagon's Tenement Holdings at the McIntosh Project

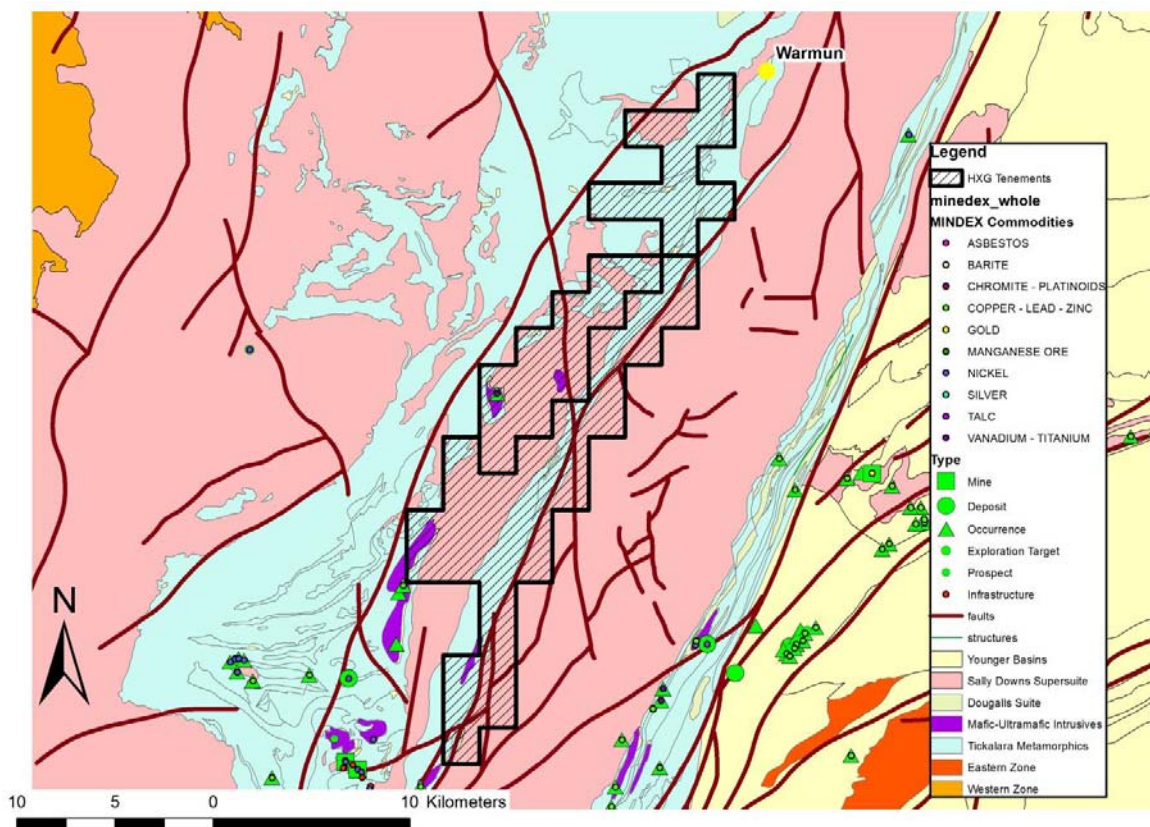
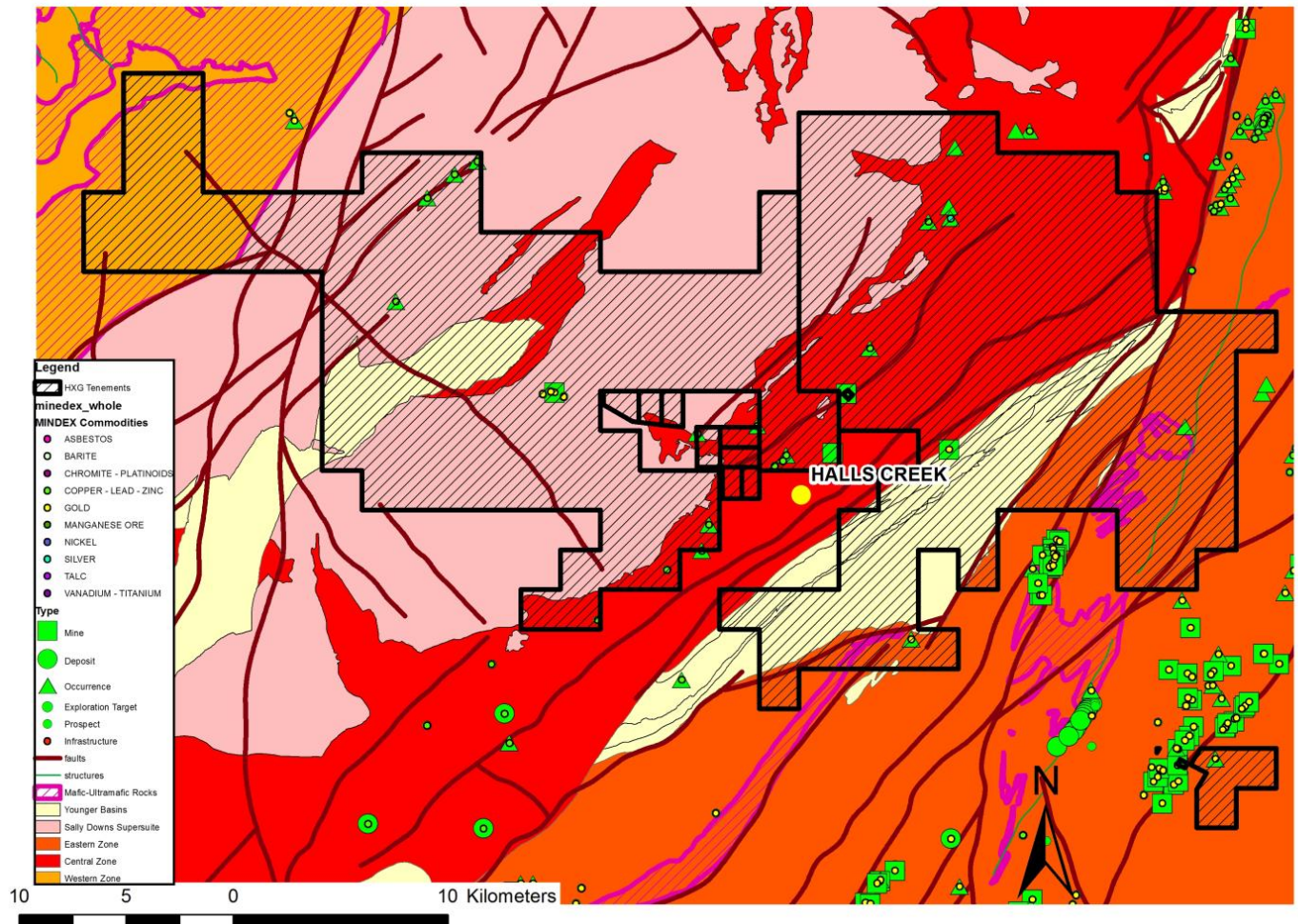


Figure 10: Hexagon's Tenement Holdings at the Mabel Downs Project



**Orogenic Gold in the Halls Creek Project Area (See Figure 11):**

- Extension to the known mineralised structures within the project area.
- An area approximately 20kms east of the Halls Creek township where major structural junctions in an area of apparent complex fold patterns.
- South and southeast corner of the project area where several major fault structures occur.
- Far east of the project area where a major fault juxtaposes the Biscay Formation.



**Figure 11: Hexagon's Tenement Holdings at the Halls Creek Project**

**VHMS Base Metals (Zn-Pb-Cu) in the Halls Creek Project (See Figure 11):**

- Northeast-trending belt of VHMS Zn-Pb-Cu showings to the immediate north of Halls Creek associated with local stratabound magnetic highs.
- Other local magnetic high trends within the undifferentiated Koongie Park Formation to the immediate northeast of Halls Creek.
- Cluster of base-metal occurrences in the Biscay Formation ca 20km to the east and northeast of Halls Creek, associated with structural junctions.
- Area of zinc-anomalous stream sediment chemistry 5-10kms south of Halls Creek, mapped as Olympio Formation and on the junction of fault structures.

### **Competent Persons Statement**

The information in this report relating to Exploration Target Estimates, Exploration Results, Geological Data and Mineral Resources at the McIntosh Project is based on information previously compiled and / or reviewed by Mr. Tony Cormack, Member of the Australasian Institute of Mining and Metallurgy and a full-time employee of Hexagon Resources Limited. Mr. Cormack has sufficient experience which is relevant to the activity being undertaken to qualify as a Competent Person as defined in the 2012 edition of the 'Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Cormack consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

### **Forward Looking Statement**

The information in this report may contain forward-looking statements regarding the potential of the Company's revenues, projects, interests and the development potential of the Company's business. Any statement describing a goal, expectation, intention or belief of the Company is a forward-looking statement and should be considered an at-risk statement. Given these risks, readers are cautioned not to rely on forward-looking statements. Actual results could differ materially from those anticipated in these forward-looking statements due to many important factors, risks and uncertainties including, without limitation, risk associated with product sales, development and manufacture, risks inherent in the business, future capital needs, general economic uncertainty and other risks detailed from time to time in the Company's announcements to the ASX.

## **CORPORATE**

### **Sale of South Korean Graphite Assets to Battery Mineral Resources Limited**

On 5 December 2016 the company announced the sale of its subsidiary company, Opirus Minerals Pty Ltd, which held its South Korean assets. The sale settled on 11 January 2017 for a total price of \$1.2 million being \$1 million cash and 2,000,000 shares in Battery Mineral Resources Limited at a price of 10 cents each.

The funds received will support the Company's ability to accelerate the development of its focus project at McIntosh while preserving value for shareholders.

### **Hexagon raised \$2.0 Million in Placement to Institutional Investors**

In October 2016 the Company made a placement of 10 million new shares at 20 cents per share to institutional investors raising a total of \$2.0 million.

### **Hexagon receives \$0.6 million under the Research and Development Tax Incentive Scheme**

During the half year the Company announced that it has received \$602,000 from the Federal Government's Research and Development Tax Incentive Scheme.

The scheme which is jointly administered by AusIndustry and the Australian Taxation Office, allows the Company to claim a tax offset and receive a cash refund for up to 45 cents of each dollar spent on eligible Research and Development. The refundable tax offset relates to costs incurred by the Company during the 2015 financial year.

### **Ongoing strengthening of Board and Management**

On 18 August 2016, Mr Charles Whitfield joined the board of Hexagon as a non-executive Director but with the intention of consulting on special projects and initiatives to strengthen the board and management team.

Most recently Mr Whitfield had overseen the turnaround of the Lithium producer Galaxy Resources. His background in battery minerals, overseeing transitional companies and his experience in finance and strategy as a former Managing Director with Citigroup, and previously Deutsche Bank, will add to the Company's strength. This is part of an ongoing programme by the Company to strengthen and mould the management team and board to best prepare the Company for its development and growth.

### **Hengda Deposit**

During the half year to 31 December 2016, Directors have continued to work to secure the return of the US\$2 million deposit paid in respect of the Hengda transaction, however this has not been successful to date.

## **LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS**

During 2017 the Company will continue to progress the McIntosh Project.

## **AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 14.

## **EVENTS AFTER BALANCE SHEET DATE**

Subsequent to 31 December 2016, the Company issued 562,500 fully paid shares on the exercise of unlisted options at 12 cents each raising \$67,500.

As at the date of this report the Company had 246,366,747 shares on issue.

Subsequent to 31 December 2016, the Company received \$1 million cash and 2,000,000 shares in Battery Mineral Resources Limited at a price of 10 cents each from the settlement of the sale of Opirus Minerals Pty Ltd.

Signed in accordance with a resolution of the Board of Directors



Tony Cormack  
Director  
15 March 2017



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

As lead auditor for the review of Hexagon Resources Limited for the half-year ended 31 December 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 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.



**T R Mann**  
Director

**BDO Audit Pty Ltd**

Brisbane, 15 March 2017

**Consolidated Statement of Comprehensive Income**  
**For the half-year ended 31 December 2016**

	Note	Half-Year Ended 31 December	
		2016 \$	2015 \$
Revenue		4,476	2,550
Unrealised foreign exchange gain	2 (a)	70,718	148,618
Employee expenses		(196,924)	(136,461)
Corporate and administration expenses		(373,392)	(362,956)
Provision for non-recovery of Hengda Deposit	2 (b)	(70,718)	(148,618)
Fair value loss on financial liability at fair value through profit or loss	13	(308,113)	
Loss before income tax		(873,953)	(496,867)
Income tax expense		-	-
Loss from continuing operations		(873,953)	(496,867)
Loss from discontinued operations	12	(152,943)	(82,814)
Net Loss for the half-year		(1,026,896)	(579,681)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(30,920)	1,128
Other comprehensive income for the half-year, net of tax		(30,920)	1,128
<b>Total comprehensive income</b>		<b>(1,057,816)</b>	<b>(578,553)</b>
<b>Earnings/(loss) per Share</b>			
		<i>Cents</i>	<i>Cents</i>
Basic and diluted earnings/(loss) per share		(0.43)	(0.37)
Basic and diluted earnings/(loss) per share - continuing		(0.37)	(0.32)
Total comprehensive income for the year attributable to owners arises from:			
Continuing operations		(873,953)	(496,867)
Discontinued operations		(183,863)	(81,686)
		(1,057,816)	(578,553)

*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 2016**

	Note	31 December 2016 \$	30 June 2016 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		1,769,112	1,000,320
Trade and other receivables	3	78,834	22,100
Other assets	4	744,377	6,535
Assets classified as held for sale	12	1,140,000	-
<b>TOTAL CURRENT ASSETS</b>		<b>3,732,323</b>	<b>1,028,955</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables		11,450	23,141
Plant and equipment		2,987	20,553
Exploration and evaluation assets	5	7,810,441	8,036,814
<b>TOTAL NON-CURRENT ASSETS</b>		<b>7,824,878</b>	<b>8,080,508</b>
<b>TOTAL ASSETS</b>		<b>11,557,201</b>	<b>9,109,463</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		369,385	117,726
Derivative financial instruments	13	479,901	171,788
Provisions		49,944	39,945
<b>TOTAL CURRENT LIABILITIES</b>		<b>899,230</b>	<b>329,459</b>
<b>TOTAL LIABILITIES</b>		<b>899,230</b>	<b>329,459</b>
<b>NET ASSETS</b>		<b>10,657,971</b>	<b>8,780,004</b>
<b>EQUITY</b>			
Share capital	6	51,064,564	48,937,564
Reserves	7	851,971	74,108
Accumulated losses		(41,258,564)	(40,231,668)
<b>TOTAL EQUITY</b>		<b>10,657,971</b>	<b>8,780,004</b>

*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 2016**

Consolidated Entity	Share Capital	Reserves	Accumulated Losses	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2015</b>	44,556,723	981,594	(37,661,606)	7,876,711
<b>Transactions with owners in their capacity as owners</b>				
Issue of share capital	2,054,553	-	-	2,054,553
Conversion of performance rights	937,500	(937,500)	-	-
Share based payments	-	2,673	-	2,673
Share issue costs	(75,418)	-	-	(75,418)
Total	2,916,635	(934,827)	-	1,981,808
<b>Comprehensive income</b>				
Profit (loss) after income tax	-	-	(579,681)	(579,681)
Other comprehensive income	-	1,128	-	1,128
Total comprehensive income	-	1,128	(579,681)	(578,553)
<b>Balance at 31 December 2015</b>	47,473,358	47,895	38,241,287	(9,279,966)
<b>Balance at 1 July 2016</b>	48,937,564	74,108	(40,231,668)	8,780,004
<b>Transactions with owners in their capacity as owners</b>				
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
<b>Comprehensive income</b>				
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)
<b>Balance at 31 December 2016</b>	51,064,564	851,971	(41,258,564)	10,657,971

*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 2016**

		Half-Year Ended December	
		2016	2015
		\$	\$
	Note		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(495,096)	(587,061)
Interest received		4,476	2,550
Net cash provided by/(used in) operating activities		(490,620)	(584,511)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for plant and equipment		-	(2,085)
Payments for exploration and evaluation	5	(1,469,588)	(1,460,720)
Government grants in relation to exploration assets	5	602,000	98,403
Payments for security deposits		-	(1,450)
Refund of security deposits		-	36,957
Net cash used in by investing activities		(867,588)	(1,328,895)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from the issue of shares		2,237,000	2,054,553
Share issue costs		(110,000)	(106,692)
Net cash (used in)/ provided by financing activities		2,127,000	1,947,861
Net increase/ (decrease) in cash and cash equivalents		768,792	34,455
Cash and cash equivalents at the beginning of the half-year		1,000,320	478,289
Net foreign exchange differences		-	1,128
<b>Cash and cash equivalents at the end of the half-year</b>		<b>1,769,112</b>	<b>513,872</b>

*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 2016 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 2016.

This consolidated interim financial report was approved by the Board of Directors on 15 March 2017.

### Going Concern

As at 31 December 2016 the Consolidated Entity had cash reserves of \$1,769,112, net current assets of \$1,693,093 and net assets of \$10,657,971, a loss after tax for the period ended 31 December 2016 of \$1,026,896 and cash outflows from operations of \$490,620. 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;
- the recovery of the US\$2 million Hengda Deposit, 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;
- Subsequent to year end the company has settled a transaction to sell its South Korean assets for total price of \$1.2m of which \$1m was in cash (refer Note 12 for further details); and
- The directors believe there is sufficient cash available for the Consolidated Entity to continue operating and note that the Company has raised \$2 million from a placement which was well supported by investors and is currently planning capital raising activities to fund its proposed activities until the end of 2017.

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 2016.

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 2016	December 2015
\$	\$

## NOTE 2 SIGNIFICANT TRANSACTIONS DURING PERIOD

<b>(a) Unrealised foreign exchange gain</b>	70,718	148,618
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During the period ended 31 December 2014, 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.

<b>(b) Provision for non-recovery of Hengda Deposit</b>	70,718	148,618
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During the period ended 31 December 2014, 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. There are numerous regulatory issues that must be addressed first, but 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.

The Directors cannot guarantee that Hexagon will successfully recover the Hengda Deposit by legal process, but is pursuing all avenues possible. Consequently, Hexagon has recorded a provision for non-recovery Hengda Deposit to the value of \$2,763,959 (30 June 2016: \$2,693,241) in the Half Year Report to 31 December 2016. The increase in the provision is a recognition of the foreign exchange movement of the US\$ value of the deposit.

December 2016	June 2016
\$	\$

## NOTE 3 TRADE AND OTHER RECEIVABLES

Other receivables	78,834	22,100
Hengda Deposit	2,763,959	2,693,241
Provision for non-recovery of Hengda Deposit	(2,763,959)	(2,693,241)
	78,834	22,100

Refer to Note 2(b) in respect of the Provision for non-recovery of the Hengda Deposit.

	December 2016 \$	June 2016 \$
<b>NOTE 4 OTHER ASSETS</b>		
Prepayments - Operations	23,258	6,535
Prepayments - Options issued for capital raising	721,119	-
	<b>744,377</b>	<b>6,535</b>

During the period the company issued unlisted options (Refer to Note 6) as part consideration for future capital raising activities. At balance date the fair value of those options are recorded as a prepayment as the capital raising had not yet completed.

#### NOTE 5 EXPLORATION EXPENDITURE

<b>Exploration expenditure capitalised</b>		
Balance at the beginning of the period	8,036,814	7,587,412
Exploration expenditure during the period	1,592,304	1,833,723
Asset reclassified as held for sale	(1,216,677)	-
Impairment of exploration assets	-	(1,384,321)
Research and development grants relating to exploration expenditure (a)	(602,000)	
	<b>7,810,441</b>	<b>8,036,814</b>

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.

(a) A research and development tax offset amounting to \$602,000 in relation to exploration activities was received during the year and offset against the expenditure that was capitalised.

#### NOTE 6 SHARE CAPITAL

##### Ordinary Shares (Fully Paid)

	December 2016 Number	December 2015 Number	December 2016 \$	December 2015 \$
At the beginning of the half-year	233,829,247	171,211,687	48,937,564	44,556,723
Issue of shares (1)	10,000,000	34,242,560	2,000,000	2,054,553
Exercise of Options (2)	1,975,000	-	237,000	-
Conversion of Tranche 2 Performance Rights (3)	-	10,000,000	-	937,500
Share issue expenses (4)	-	-	(110,000)	(75,418)
At reporting date	<b>245,804,247</b>	<b>215,454,247</b>	<b>51,064,564</b>	<b>47,473,358</b>

(1) 2016: 10,000,000 ordinary fully paid shares were issued at \$0.20 per share through a share placement.

2015: 34,242,560 ordinary fully paid shares were issued at \$0.06 per share through a rights issue.

(2) 2016: 1,975,000 ordinary fully paid shares were issued on the exercise of options at \$0.12.

(3) 2015: 10,000,000 ordinary fully paid shares were issued on the conversion of Tranche 2 Performance Rights previously issued as part consideration of Opirus Minerals Pty Ltd.

(4) 2016: Amount relates to costs associated with the share capital raised under the share placement.

2015: Amount relates to costs associated with the share capital raised under the rights issue.

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.

**NOTE 6 SHARE CAPITAL (cont'd)**

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

Expiry Date	Exercise Price	Movements (number of options)				
		1 July 2016	Issued	Exercised	Expired	31 December 2016
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	6,668,750	-	(1,975,000)	-	4,693,750
11 November 2017	\$0.08	450,000	-	-	(150,000)	300,000
30 June 2018 <sup>(1)</sup>	\$0.133	-	7,250,000	-	-	7,250,000
16 December 2019 <sup>(2)</sup>	\$0.28	-	2,000,000	-	-	2,000,000
16 December 2019 <sup>(2)</sup>	\$0.40	-	2,000,000	-	-	2,000,000
16 December 2019 <sup>(2)</sup>	\$0.50	-	2,000,000	-	-	2,000,000
		13,118,750	13,250,000	(1,975,000)	(3,150,000)	21,243,750

**Terms and conditions of options issued**

<sup>(1)</sup> 7,250,000 options were issued exercisable at 13.3 cents each with an expiry date of 30 June 2018, subject to vesting conditions:

- 5,000,000 options will vest and become capable of exercise upon the Company securing finance for development of the McIntosh Project to production. These options were issued following shareholder approval and are valued at \$480,000 (9.6 cents each).
- 2,250,000 options will vest and become capable of exercise if the Company's volume weighted average share price on ASX is above 30 cents for at least 20 consecutive trading days. These options were issued following shareholder approval and are valued at \$207,450 (9.22 cents each).

<sup>(2)</sup> 6,000,000 options were under a Lead Manager Agreement. The options expire on 16 December 2019 and are exercisable as follows:

- 2,000,000 at 28 cents each. These options are valued at \$281,602 (14.08 cents each).
- 2,000,000 at 40 cents each. These options are valued at \$234,374 (11.72 cents each).
- 2,000,000 at 50 cents each. These options are valued at \$205,143 (10.26 cents each).

	December 2016	June 2016
	\$	\$

**NOTE 7 RESERVES**

Share Option reserve	897,411	88,628
Foreign currency translation reserve	(45,440)	(14,520)
	851,971	74,108

**Share Option reserve movements during the year**

Opening balance	88,628	62,143
Issue of options during the year	808,783	26,485
Closing balance	897,411	88,628

**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 year**

Opening balance	(14,520)	(18,048)
Currency translation differences arising during the year	(30,920)	3,529
Closing balance	(45,440)	(14,520)

**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.

**NOTE 7 RESERVES (continued)**

Performance Rights	December 2016 #	December 2015 #	December 2016 \$	December 2015 \$
Opening balance	-	10,000,000	-	937,500
Conversion of Tranche 2 Performance Rights <sup>(1)</sup>	-	(10,000,000)	-	(937,500)
At reporting date	-	-	-	-

(1) 10,000,000 ordinary fully paid shares were issued on the conversion of Tranche 2 Performance Rights previously issued as part consideration of Opirus Minerals Pty Ltd.

**Performance rights reserve**

The performance rights reserve is used to record the value of performance rights granted.

**NOTE 8 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 half-year:

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

For the half-year ended 31 December 2016 no revenue has been derived from external customers from either of the exploration for minerals operating segments. All revenue is allocated to the Australia segment.

**Segment Results**

	South Korea \$	Australia \$	Consolidated \$
<b>31 December 2016</b>			
Segment result	(152,943)	(873,953)	(1,026,896)
<b>Net Profit (Loss)</b>	(152,943)	(873,953)	(1,026,896)

**31 December 2016****Assets:**

Segment assets	1,140,000	10,417,201	11,557,201
Unallocated corporate assets	-	-	-
<b>Consolidated Total Assets</b>	1,140,000	10,417,201	11,557,201

	South Korea \$	Australia \$	Consolidated \$
<b>31 December 2015</b>			
Segment result	(82,814)	(496,867)	(579,681)
<b>Net Profit (Loss)</b>	(82,814)	(496,867)	(579,681)

**30 June 2016****Assets:**

Segment assets	1,265,816	7,843,647	9,109,463
Unallocated corporate assets	-	-	-
<b>Consolidated Total Assets</b>	1,265,816	7,843,647	9,109,463



## NOTE 9 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There has been no change to contingent assets and contingent liabilities disclosed in the 30 June 2016 financial report.

## NOTE 10 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 2016 were as follows:

	\$
<b>Exploration commitments</b>	
Less than 12 months	930,520
Between 12 months and 5 years	2,392,023
Greater than 5 years	-
	<b>3,322,543</b>

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 an options to renew for 12 months each.

	\$
<b>Office lease commitments</b>	
Less than 12 months	17,400
Between 12 months and 5 years	-
Greater than 5 years	-
	<b>17,400</b>

## NOTE 11 EVENTS AFTER BALANCE SHEET DATE

Subsequent to 31 December 2016, the Company issued 562,500 fully paid shares on the exercise of unlisted options at 12 cents each raising \$67,500.

As at the date of this report the Company had 246,366,747 shares on issue.

Subsequent to 31 December 2016, the Company received \$1 million cash and 2,000,000 shares in Battery Mineral Resources Limited at a price of 10 cents each from the settlement of the sale of Opirus Minerals Pty Ltd.

## NOTE 12 DISCONTINUED OPERATION

On 5 December 2016 the Group announced the sale of its subsidiary companies, Opirus Minerals Pty Ltd and its wholly owned subsidiary Won Kwang Inc, representing its South Korean assets. The sale settled in January 2017.

At 31 December 2016, the Opirus Group assets are classified as "Assets classified as held for sale" and valued at \$1,140,000, representing the lower of the carrying value and fair value less warranty claim costs.

The financial performance of the discontinued operation as at 31 December 2016 was as follows:

	Note	Half-Year Ended 31 December	
		2016 \$	2015 \$
Revenue		179	122
Operating expenses		(47,354)	(82,936)
Exploration expenditure written off		(105,768)	-
Loss on discontinued operations before income tax		(152,943)	(82,814)
Income tax expense		-	-
Loss from discontinued operations		(152,943)	(82,814)

## NOTE 12 DISCONTINUED OPERATION (Cont'd)

	Note	Half-Year Ended 31 December	
		2016 \$	2015 \$
Net cash inflow from operating activities		(43,234)	(81,920)
Net cash inflow (outflow) from investing activities		(34,445)	(26,965)
Net cash (outflow) from financing activities		-	-
Net decrease in cash of discontinued operation		(77,679)	(108,885)

	Note	Half-Year Ended 31 December	
		2016	
		\$	
<hr/>			
The carrying amounts of assets and liabilities as at 31 December 2016 were:			
Cash		692	
Exploration and evaluation assets		1,119,180	
Plant and equipment		8,402	
Other assets		11,726	
<b>Total assets</b>		<hr/>	
		1,140,000	
Trade and other payables		-	
<b>Total liabilities</b>		<hr/>	
		-	
<b>Net assets</b>		1,140,000	
		December	June
		2016	2016
		\$	\$

## NOTE 13 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments	479,901	171,788
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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 \$0.16 cents per share and the expiry date is 3 March 2018.

### *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.

During the period a fair value loss on the derivative liability of \$308,113 (2015: \$nil) has been recognised in profit or loss resulting in a closing value of \$479,901 (30 June 2016: \$171,788).

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

## 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 2016 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



**Tony Cormack**  
**Director**  
**15 March 2017**

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Hexagon Resources Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Hexagon Resources Limited, which comprises the consolidated balance sheet as at 31 December 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

### 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 consolidated entity's financial position as at 31 December 2016 and its 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 Hexagon Resources Limited, 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 Hexagon Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

## Conclusion

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 Hexagon Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the 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 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. Our conclusion is not modified in respect of this matter.

**BDO Audit Pty Ltd**



**T R Mann**  
Director

Brisbane, 15 March 2017