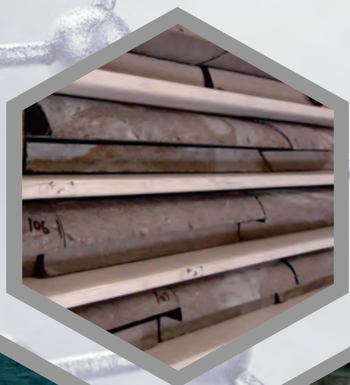
HEXAGON
resources limited
High Purity Flake Graphite for New Technologies

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017



Hexagon Resources Limited
ABN 27 099 098 192

HEXAGON
resources limited
High Purity Flake Graphite for New Technologies

CORPORATE DIRECTORY

Board of Directors

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

Company Secretary

Leni Stanley
Rowan Caren

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

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CHAIRMAN'S LETTER

Dear Fellow Shareholders,

Since I had the privilege of being appointed Chairman of Hexagon, I have had the opportunity to meet many investors over the past six months. Yet, I also know that there are many shareholders who I have not yet had a chance to speak to or correspond with, and so I value this opportunity to communicate our vision for Hexagon, what we have achieved in the past year and what I think we can look forward to in the next twelve months.

The objective of Hexagon as the Board sees it, is to build a strong and profitable producer of technical materials. In the immediate term this means developing our large-scale graphite asset at McIntosh, and producing high quality products which take advantage of the positive attributes of our resource and can command the best possible economics for the Company. While we put a strong emphasis on excellence in our geology and mining, I do not consider Hexagon as much a mining company as an industrial material company. From my experience in this industry, I know that understanding our market, the required product to meet that market and the beneficiation and processing to produce that product is the differentiating factor in knowing what assets have value and how to develop them.

All the work of the last six months has been focused on following this path and I am very encouraged indeed by the meaningful progress that we have made towards achieving our vision. The detail of this is all laid out in the Review of Operations, but I would like to take this opportunity to comment on some of the highlights.

In May we released the Pre-Feasibility Study (PFS) for the McIntosh project. I am acutely aware that this release was later than had been guided, somewhat tainting people's expectations. I think that many of the changes that we have made in the company will address this type of issue going forward. Ultimately, the PFS met its key goal of assessing the viability of the McIntosh project while providing a roadmap for commercialisation. I think there are some key takeaways from the study. Primarily, we have had the opportunity to do a real analysis of the viability of the project and this has confirmed many of the positive aspects that we had previously anticipated. The PFS has given us the critical information to form a foundation so we know what we have to work with and what additional work needs to be done. It has highlighted the opportunities and the strategies that we need to focus on to achieve those opportunities. The NPV valuation generated by the PFS is what we see as a "base case". We have a high degree of confidence that the mine life will continue to expand with additional drill work, and that the data we gained in the PFS process will allow us to refine processes and positively impact both capital and operating cost numbers. All aspects considered, the PFS has provided me a much higher level of conviction that I had even 12 months ago.

In addition, the results of the PFS have allowed us to focus our other initiatives for the year including further drill work which we expect to help underscore both, the increasing size of the resource, and also the consistency in the high quality of material across the ore body. The material test work that we have undertaken since May has been focused and detailed, resulting in some very positive results in the battery work.

From all of this analysis we now are working on the optimisation of the process flowsheet which will allow us to lower costs and produce more of the highest value product. This enhancement of our product suite feeds in to our offtake and downstream processing discussions which will result in product development and sales. Finally, the increase in certainty around our sales matrix is core to our project financing and finalisation of detailed engineering.

A few legacy housekeeping items were also closed out this year including the recovery of a substantial proportion of the monies that had been lost in the failed Hengda transaction and the sale of the Korean assets.

Last, but probably most importantly, we have enhanced the management of the company to position it to pursue our strategy and take the project into commercial development. Central to this has been the hiring of Mike Rosenstreich. Mike has a raft of practical experience in taking projects into production, but he has also leapt in with both feet to get up the curve in the battery and technical material applications of graphite and has been core to leading the rest of the team, and the company, in executing the Company's strategy.

The next twelve months will continue to be transformational. As such, there will be:

- ✓ Continued emphasis on deepening our downstream industry links provides the opportunity to further refine our plans for processing and offtake
- ✓ Increased understanding of market opportunities will allow us to refine our process flowsheet and to produce the highest value products as efficiently as possible
- ✓ Increased certainty around revenue and costs provides the opportunity to refine our financial models and advance our conversations on the project financing
- ✓ Completion of a feasibility study, confirmation of permitting and start construction of the mine and plant

These initiatives are already underway and we look forward to providing updates on all these aspects over the coming months.

Like many of you no doubt, I have been frustrated with the lack of recognition in the share price for the considerable progress that has been made in the company. To find ourselves trading slightly below where the company was twelve months ago when I joined the Board is very frustrating, though I know from past experience of developing companies, that the valuation rarely goes hand-in-hand with the progress of a company, but it always gets there in the end.

One thing that I am aware of is that Hexagon is sometimes deemed to not be as "promotional" in our communication with shareholders as many other companies. This is an open question for management teams, but at Hexagon we aim to make sure that our communications to shareholders and the market are meaningful, factual and informative. Simply put, we believe that if we give our shareholders the necessary information, they can determine the value that is going to flow from the business and thus, the compelling nature of the investment case.

Finally, on behalf of the entire Hexagon team, I would like to take this opportunity to thank our shareholders for their support of the recent incentive schemes. I do feel that having results based incentives allows us to attract, motivate and retain a quality team.

As I noted at the beginning of this letter, we value our open dialogue with our shareholders very highly and hope to see many of you at the forthcoming AGM. For those of you who cannot make it, both Mike and I are always available to share our thoughts, answer questions and provide clarity to our current and potential investors.

Yours sincerely,

Charles Whitfield
Chairman

DIRECTORS' REPORT

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

Current Directors:

Name	Position	Period of Directorship
Charles Whitfield	Non-Executive Chairman	Appointed 22 August 2016
Michael Rosenstreich	Managing Director	Appointed 17 March 2017
Garry Plowright	Non-Executive Director	Appointed 10 June 2015
Neville Miles	Non-Executive Chairman	Appointed 9 December 2014, ceased 4 May 2017
Anthony Cormack	Executive Director and CEO	Appointed 17 December 2014, ceased 4 May 2017
Charles Whitfield	Non-Executive Chairman	Appointed 22 August 2016

Information of directors

Information of directors

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

Charles Whitfield - *Non-executive Chairman*	
Experience and expertise	Mr. Whitfield is an experienced executive with over 20 years' experience in finance and commercial development of early stage technology and specialist resource companies. Mr Whitfield was an executive Director for Galaxy Resources Limited where he had responsibility for strategy and finance during the significant turnaround of Galaxy from a distressed company to one of the preeminent lithium companies. Mr Whitfield is a Director of Drumrock Capital which invests in, and provides advice to, turnaround and early stage technology and specialist resource companies. He was formerly a Managing Director with Citigroup where he held the position of Head of the Corporate Equity Solutions Group (Asia Pacific) and prior to this, he worked for the Deutsche Bank where he was Head of the Strategic Equity Group (Asia Pacific). Mr Whitfield has a Masters in Business Administration (majoring in Finance and Strategy) from Columbia Business School (New York) and a Bachelor of Economics from the University of Exeter (UK).
Other current directorships	None
Former directorships in last 3 years	Galaxy Resources Limited – from 28 November 2013 until 19 August 2016
Special responsibilities	Chairman
Interests in shares and options	Direct – Ordinary shares – 2,806,463 Direct – Unlisted Options – 1,000,000 exercisable at 13.3 cents each expiring 30 June 2018, subject to vesting conditions Direct – Unlisted Options – 1,000,000 exercisable at 13.3 cents each expiring 30 June 2018, subject to vesting conditions

Michael Rosenstreich (BSC (Hons), MEE, FAusIMM, MAICD) - ***Managing Director***	
Experience and expertise	Mr. Rosenstreich contributes extensive experience in bringing mine projects from exploration into operations, including organising financing and offtake agreements. He has over 30 years technical, corporate and financial experience. Before joining Hexagon he ran a boutique corporate consultancy, Keystone Resources Development for 3 years specialising in merging technical and financial aspects of mining projects to create, develop or rescue projects or distressed financiers. Mr Rosenstreich was co-founder and Managing Director of Bass Metals Limited, leading it from pre-IPO stage, exploration success and then transitioning to over 5 years of base and precious metals production. Prior to that he worked with NM Rothschild & Sons (Aust) Ltd as a resources banker for 6 years. This followed 13 years in a series of senior geological positions with Homestake Gold and Dominion Mining, Mr Rosenstreich holds a BSc (Hons) in Geology and Masters in Mineral and Energy Economics. He is a Fellow of the AusIMM and a Member of the AICD.
Other current directorships	Mr Rosenstreich is also currently Chairman of Arrowhead Resources Limited appointed on 24 March 2014.
Former directorships in last 3 years	Nil
Special responsibilities	Managing Director
Interests in shares and options	Indirect - Ordinary shares – 96,053

Garry Plowright - ***Non-executive director***	
Experience and expertise	Mr. Plowright is an experienced executive with over 25 years' experience in finance, commercial and technical development within the mining and exploration industry, working for some of Australia's leading resource companies. He had been involved in gold, base metals and iron ore exploration and mining development projects in Australia and worldwide. Previous experience with the supply and logistics of services to the mining and exploration industry including capital raising, corporate governance and compliance, project management, mining and environmental approvals and regulations, contract negotiations, tenure management, land access, stakeholder and community engagement. Mr Plowright has extensive experience in mining law and has provided services to the industry in property acquisitions, project generation and joint venture negotiations. Mr Plowright has held global operational and corporate roles with Gindalbie Metals Ltd, Mt Edon Gold Ltd, Pacmin Mining, Atlas Iron Ltd, Tigris Gold (South Korea) and Westland Titanium (New Zealand). He has a strong background in strategic management, business planning, building teams, capital/debt raising, and experience with a variety of commodities.
Other current directorships	None
Former directorships in last 3 years	None
Special responsibilities	None
Interests in shares and options	Indirect - Ordinary shares – 500,000 Indirect – Unlisted Options – 500,000 exercisable at 13.3 cents each expiring 30 June 2018, subject to vesting conditions indirect – Unlisted Options – 250,000 exercisable at 13.3 cents each expiring 30 June 2018, subject to vesting conditions

Company Secretaries

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

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

Rowan Caren
Company Secretary – appointed 18 September 2017
Mr Caren is a highly experienced Company Secretary and qualified Chartered Accountant. He was employed by the charted accountancy firm PricewaterhouseCoopers in Australia and overseas for six years and has been directly involved in the minerals exploration industry for a further 20 years. He also provides company secretarial and corporate advisory services to several exploration companies and is a member of Chartered Accountants Australia and New Zealand. Mr Caren is a director of ASX listed, Myanmar Metals Ltd (ASX: MYL).

Brent Van Staden
Company Secretary – until 5 May 2017
Brent Van Staden is a corporate lawyer with more than 15 years' experience and has advised multiple resource companies on their initial public offerings, secondary capital raisings, project acquisitions and general compliance.

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

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2017 and the number of meetings attended by each Director.

	Meetings attended	Eligible to attend
Charles Whitfield – *since 22 August 2016*	20	21
Mike Rosenstreich – *since 17 March 2017*	3	3
Garry Plowright	23	25
Neville Miles – *until 4 May 2017*	23	24
Anthony Cormack – *until 4 May 2017*	24	24

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

CORPORATE INFORMATION

Hexagon Resources is a company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX). Hexagon Resources has prepared a consolidated financial report encompassing the entities that it controlled during the financial year (see note 26).

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

CURRENCY

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

DIVIDENDS

No dividends were paid during the financial year ended 30 June 2017 (2016: nil) and no dividend is recommended for the current year.

FINANCIAL REVIEW

For the year ended 30 June 2017, the loss for the Consolidated Entity after providing for income tax was $1,696,620 (2016: loss of $2,570,062), a reduction in the loss of the Entity of $873,442.

The Company received a research and development income tax concession of $602,000 (2016: $Nil) during the year which were offset against capitalised exploration expenditure.

At 30 June 2017 the Company had 246,366,747 ordinary shares and 17,931,250 options on issue.

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

	2017 $	2016 $
Employee expenses	303,368	205,644
Corporate and administration expenses	729,148	656,278
Provision for non-recovery of Hengda Deposit (gain)	(905,079)	99,879
Share based payment expense	1,166,773	26,485
Impairment of exploration assets	333,739	384,321

The major expenses and cash outflows for 2017 financial year were associated with advancing the McIntosh Project.

Corporate and administration expenses have increased by $72,870 and employee expenses increased by $97,724 as the Consolidated Entity increased its activities to progress the McIntosh Project.

On 15 June 2017, the Company announced that it had reached a financial settlement which resolved outstanding issues arising from the 2014 Framework Agreement entered for a proposed merger with China Sciences Hengda Graphite Co ("Hengda") and Mr Wang Fengjun, General Manager and major shareholder of Hengda which, at the time, resulted in the Company paying a US$2 million deposit to Hengda. Accordingly, the Company has no further involvement or claims in respect of the Hengda Debt, other than a small residual payment due in three months and recognised in the financial report as an account receivable (received after year end).

Consequently, Hexagon has recorded a reversal of prior year provision for non-recovery of the Hengda Deposit to the value of $905,079 in the Financial Report to 30 June 2017 (2016 provision for non-recovery expense: $99,879).

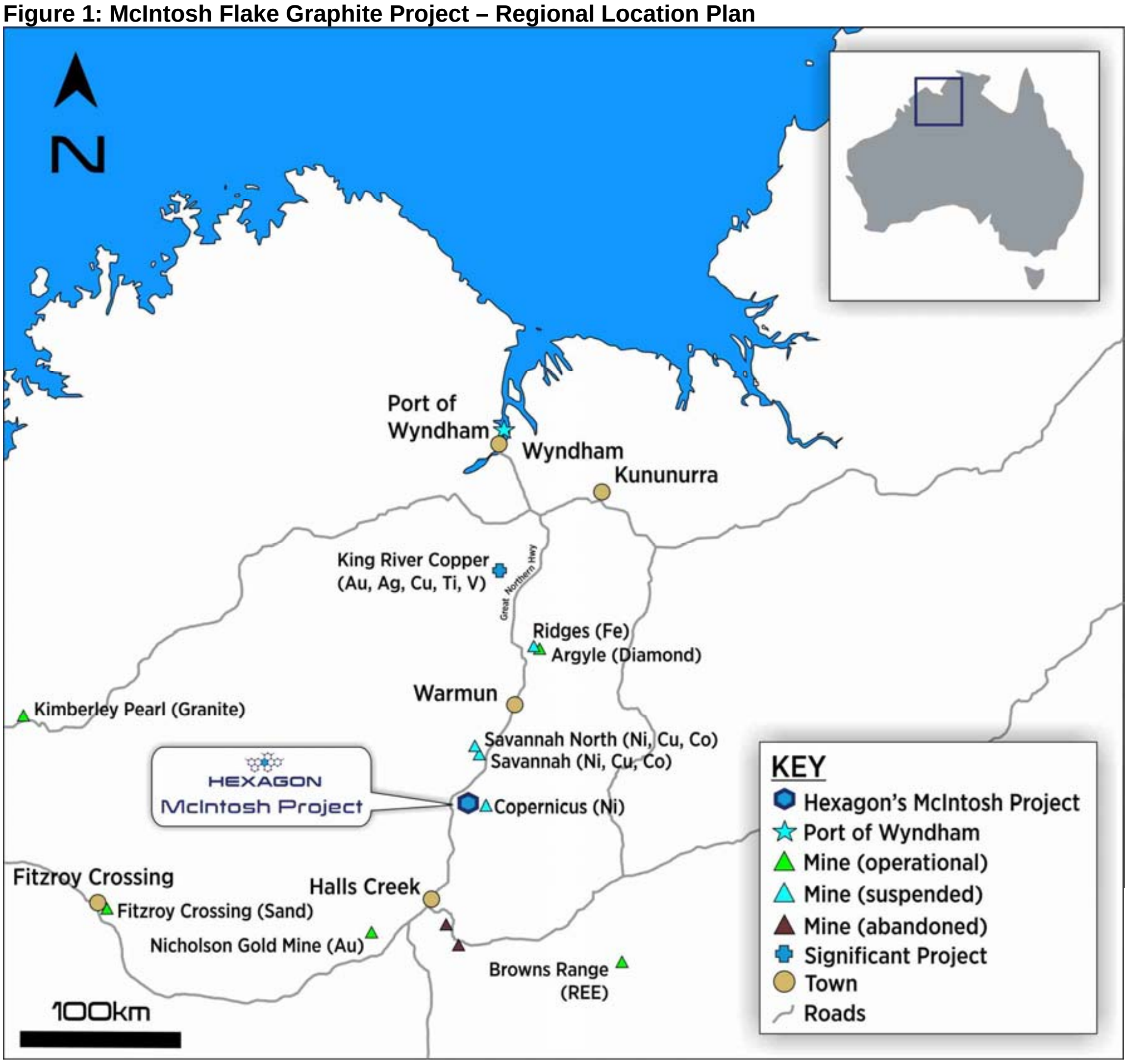
Cashflows

The major items of cash receipts (expenditure) during the year were:

	2017 $	2016 $
Receipts:		
Proceeds on disposal of discontinued operations	1,000,000	-
Proceeds on disposal of Hendga Deposit receivable	771,893	-
Proceeds from issue of shares	2,304,500	3,591,055
Payments:		
Payments relating to the exploration and evaluation of projects	(2,729,472)	(1,964,826)
Payments to suppliers and employees [1]	(991,088)	(1,072,240)

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

Figure 1: McIntosh Flake Graphite Project – Regional Location Plan



REVIEW OF OPERATIONS (Managing Director's Report)

The past financial year has been a pivotal one for the Company in terms of completing significant corporate restructuring and achieving important technical milestones; all designed to place Hexagon on a clear trajectory toward production.

1. Corporate Affairs

The corporate activities during the year can be characterised as comprising Repair, Re-focus and Restructure with the aim of transitioning the Company from "explorer" to a serious graphite development Company.

Repair – In June, 2017, the Company announced receipt of a final cash settlement in relation to the failed merger transaction with China Sciences Hengda Graphite Co (Hengda) and the ongoing dispute over repayment to Hexagon of a US$2 million deposit it paid as part of that June 2015 transaction. This originated from previous and long-departed Hexagon management but current and recent management persisted to achieve a meaningful cash settlement, the major portion of which was paid in June 2017, with a residual portion paid in September 2017 to end this matter. Note – the deposit amount was fully written-off in the FY2016 accounts.

Re-focus – In January 2016, Hexagon settled on the sale of its South Korean graphite assets to Battery Material Resources Limited (BMR) for $1.0 million in cash and 2 million BMR shares. The transaction enabled Hexagon to focus its team and financial resources to the development of the McIntosh Project, whilst retaining exposure to the Korean graphite assets via the BMR shares, which do not have any escrow provisions. BMR is working toward a TSX listing as a diversified battery materials company with advanced, large scale cobalt, lithium and graphite assets in Canada, the USA and South Korea.

*Re-Structur*e – over the course of this past financial year the Board of Hexagon has transitioned from the Board that completed much of the corporate repair and Project revitalisation to a largely new team aiming to accelerate the commercialisation of the McIntosh Project. Mr Charles Whitfield was appointed as a non-executive director in August 2016, joining Chairman, Mr Neville Miles, Executive Director, Mr Anthony Cormack and non-executive director, Mr Garry Plowright. In March 2017, Mr Michael Rosenstreich was appointed Managing Director and shortly thereafter, Mr Whitfield became Chairman with Mr Miles and Mr Cormack resigning from the Board. The underlying motivation for these changes was to transition the Board and management team to commercialisation and production requiring a different core skill set to that which so successfully advanced the project to its current status.

This is part of a continuing process that will see Hexagon migrate all of its corporate, financial and administrative functions to its Perth office by the end of 2017 and continue to build its project development team.

Management's primary focus is to secure financing and offtake for the McIntosh Project development underpinned by advancing the feasibility study and downstream processing options.

2. Development

Hexagon owns 100% of the McIntosh Flake Graphite Project comprising 330 km^2 of tenements in the eastern Kimberley region of Western Australia (refer Figure 1).

2.1 Pre-Feasibility Study

A Pre-Feasibility Study (**PFS**) into the development of the first stage of the 100% owned McIntosh Flake Graphite Project, located in Western Australia was completed in June 2017.

The PFS outcomes confirm the technical and financial viability of an initial project development and provide a very strong rationale to advance the project through a Feasibility Study (**FS**) towards development. The Company's strategy is to focus on the key technical issues of process flow sheet and product specifications rather than drilling out larger resources and reserves which it can undertake later in a staged manner to verify its view of a long-term Project.

Key outcomes of the PFS include:

- ✓ Pre-tax NPV (8%) of $261 million (Post tax NPV (8%) of $175 million).
- ✓ Pre-tax IRR of 46% (Post tax IRR of 36%).
- ✓ EBITDA annual average is estimated to be $100 million with an EBITDA margin of 51%.
- ✓ An assertive marketing strategy underpinned by an annual production target of 2.4 million tonnes processed to produce approximately 88,000 tonnes of flake graphite concentrate grading 98% total graphitic carbon (TGC) on average per year.
- ✓ These Stage 1 PFS outcomes are underpinned by a maiden Ore Reserve of 11.9 million tonnes grading 4.3% TGC containing 511,000 tonnes of graphite, all classified as Probable.
- ✓ The PFS is based on mining and processing 14.3[1] million tonnes grading 4.3% TGC comprising the Probable Ore Reserve and Inferred Resource material of 2.4 million tonnes grading 4.2% TGC. The

Inferred material comprises only 16% of the total and the majority is assumed to be mined in the last 2 years of the schedule.

- ✓ Product price of $2,087 (US$1,565) per tonne of concentrate is assumed at an exchange rate of A$1.0=US$0.75 over the initial 7 year project life.
- ✓ Start-up capital cost is estimated to be $148 million and includes a 15% contingency, based on the purchase of all new equipment; significant savings are expected by securing second hand components e.g. in the processing plant and second hand camp.
- ✓ Unit operating costs are estimated to average $1,038/tonne of concentrate sold and $42/tonne processed, with work already underway to further optimise the process efficiency.
- ✓ Independent engineering company Scope Australia contributed to and managed the PFS which is completed to an accuracy level of -15% to +30%.

*1. **Uncertainty related to Inferred Resources:** Approximately 84% of this production target is in the Indicated Mineral Resource category and 16% is in the Inferred Mineral Resource category. The Company has concluded that it has reasonable grounds for disclosing a production target which includes a modest proportion of Inferred classified material as explained in Section 6. However, there is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the production target itself will be realised.*

The PFS was undertaken to a -15% and + 30% level of accuracy. The Project construction is scheduled to take 12 months (year 1), with forecast ramp up to 60% of design capacity in year 2, with full scale production for years 3 to 8. This is regarded as the initial phase of the Project and further drilling will be undertaken in a staged manner to convert the Exploration Target to Mineral Resource and Ore Reserves.

Mining is planned to occur in stages from a total of four deposits, with ore being processed at a centrally located flotation concentrator to produce flake graphite concentrate (refer Figure 2 Project Plan). Concentrate product will be packaged in 1 tonne Bulka bags and trucked to the port of Wyndham and shipped to customers, most likely in Southeast Asia. A summary of the key physical outcomes is presented in Table 1.

Table 1: PFS "Physicals" Outcomes

	Units	Per Year (average)	Life of Mine (LOM)
Ore mined	tonnes	2.4 mtpa	14.3 Mt
Strip Ratio	W:O	-	4.5
Total Mined	bcm	-	28.7 M
Head grade	% TGC	4.1 to 4.4	4.3
Plant Recovery	%	87 - 93	93
Concentrate	t	88,000	574,000
Concentrate Grade	% TGC	98	98

The financial outcomes present a viable project and are summarised in Table 2. This is based on mining and processing Ore Reserves and Mineral Resources within the four pit designs and includes 16% Inferred Resource material as outlined in Cautionary Note 1.

Table 2: PFS Financial Outcomes

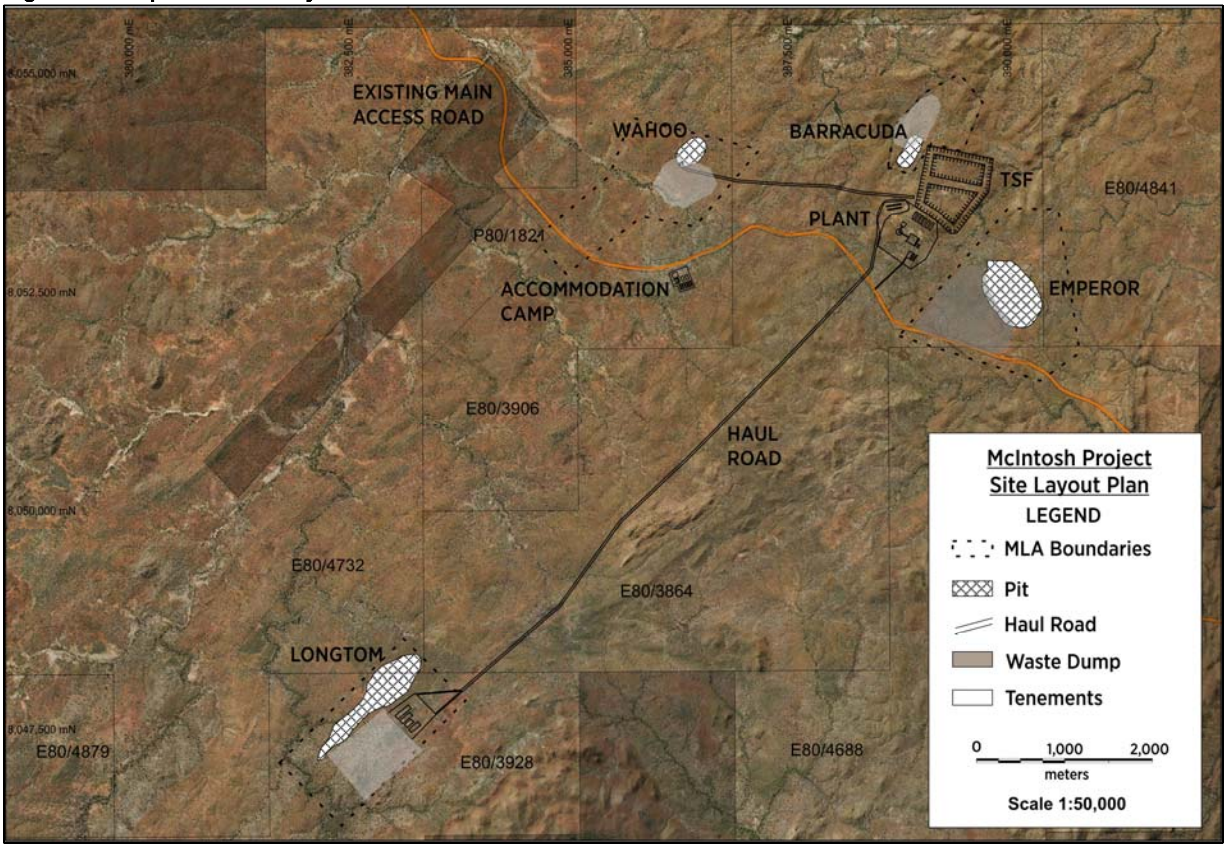
	Units	Life of Mine
Site Operating Cost	A$/t Conc.	987
Realisation Costs (FOB)	A$/t Conc.	51
Total Operating Cost	A$/t Conc.	1,038
Start-up Capital (15% Contingency)	A$M	148.6
Sustaining Capital	A$M	24.9
Sales	A$M	1,197
Sales	A$/t Conc.	2,087
EBITDA	A$M	654
EBITDA Margin	%	51
Pre-Tax NPV (RoD 8%)	A$M	261
Post-Tax NPV (RoD 8%)	A$M	175
Pre-Tax IRR	%	46
Post -Tax IRR	%	36
Payback Period (from first production)	Years	3

2.2 Permitting and Stakeholder Relations

The Company has commenced the approval and stakeholder engagement process to enable planned development of the McIntosh Project as well as access to new targets for further exploration work. In late 2016 it has applied for its initial series of Mining Licences and is moving through the approvals process with the Dept of Mines and Petroleum (DMP) and the key stakeholder groups including the Native Title claimant. An experienced consultant has been engaged to assist Hexagon in identifying and negotiating with key stakeholder and traditional owner groups to ensure equitable and balanced land access and commercial arrangements are put in place with a long-term collaborative outlook.

Field work for the final series of flora and fauna surveys, part of the environmental assessment study, for the mining proposal approval, was completed in May, 2017.

Figure 2: Proposed Site Layout Plan



2.3 Product Marketing

Production of a flake graphite concentrate product is the first step in a complex value chain of intermediate products and end-user applications. Hexagon is focusing, in particular on battery manufacturers and potentially, the expandable graphite sector.

The benign aspects of the McIntosh ore make it amenable to production of a high quality and high-grade product with no notable deleterious elements and without costly and environmentally hazardous acid purification or screening. The Company has engaged battery materials specialists to assist it in planning and undertaking further detailed test work for downstream processing - where again the feedstock source and environmentally friendly credentials for its products should generate market appeal and a pricing premium.

The PFS is focused on producing a high-grade bulk graphite concentrate for direct sale. However this is only the starting point from which Hexagon is undertaking additional downstream test work to confirm its application to the lithium-ion battery market and potentially also diversify into the expandable graphite sector for use in fire retardants, shielding and specialty gaskets and seals – another growth sector for graphite.

The overall marketing strategy is to secure a cornerstone offtake partner from a growing group of high-end graphite users looking to obtain uniquely high-quality product supply, but reluctant to be reliant on African sourced product. This off-take party could safely seek to build their procurement budget around McIntosh product as the mainstay ingredient. This might be either singularly or a combination of flake concentrate (i.e. low down in the value chain), or ideally, as a purified, uncoated spherical graphite product which sells for four to six times more than graphite concentrate.

2.4 Feasibility Study - Opportunities

These PFS outcomes confirm the technical and financial viability of the Project and provide a very strong rationale to advance the project to a FS where major "value-add" opportunities need to be assessed. These exciting enhancements to the PFS include expanding the Mineral Resource base via known targets, ore-sorting and downstream processing as well as very significant process flow sheet improvements.

2.4.1 Plant Improvements

Detailed review of the process flow sheet and recent test work has highlighted several opportunities to improve the current PFS level process flow sheet:

- Review of front-end comminution to consider low energy equipment like mineral sizers and HPGR crushing;
- Coarser grind for flotation resulting in smaller mill and lower power requirements;
- Preserve flake size – currently the feed material is ground to a P80 passing 106 microns and the resultant concentrate yields 71% of flake size being Fine to Small. Size preservation is possible given that graphite flakes are "breakage resistant" with a Bond Work Index of approximately 48 compared to 15 for gangue minerals. Also, graphite has a lower specific gravity, which combined with shape factors (e.g. flakes rather than euhedral particles), they report to cyclone overflow at coarser size than the gangue minerals; and
- Recovery of sulphides from the tailings stream to provide an additional revenue stream and /or decrease environmental load on the tailings dam.

2.4.2 Cost Improvements

The operating and capital cost assumptions are conservative and generally based on new equipment sourced in Australia. In terms of operating costs some of the technical measures described above as well as other power efficiencies and contractor services are aimed to deliver operating cost savings in the FS of approximately 10 to 20%. Capital costs are also planned to reduce by 25 to 35% through sourcing of overseas manufactured and second-hand equipment as well as improved equipment specifications from the planned technical test work and process flow sheet improvements.

2.4.3 Resource expansion

To underpin its off-take, Hexagon needs to demonstrate the scale of its project in terms of annual production capacity and long-term mine life. This will be progressed through completing the FS and undertaking further resource delineation drilling on its extensive exploration targets. The Company has reported Exploration Targets of 110 to 220 million tonnes potentially containing an additional 3 to 11 million tonnes of graphite located proximal to the planned primary processing facility (*Refer section 3.1.1 below and the Cautionary Note below)*.

Cautionary Note *- Exploration Targets: The potential quantity and grade of the Exploration Target is conceptual in nature, there has been insufficient exploration work to estimate a Mineral Resource and it is uncertain if further exploration will result in defining a Mineral Resource.*

2.4.4 Ore Sorting

"Sighter" test work on the utilisation of ore-sorting technology in the McIntosh process flow sheet was undertaken in June, 2017.

The key sorting sensors under investigation either singularly or in combination are based on X-ray transmission and electrical conductivity. Graphite is highly conductive and invisible to X-rays. The results received to date are very preliminary but do indicate that approximately 80-90% of the graphite is reporting to between 40 to 70% of the mass, subject amongst other things to the feed particle size. The objective is to get as high a recovery of graphite to the lowest mass pull possible and these results are encouraging and warrant further test work.

The next phase of test work on ore sorting will be on indicative graphite recovery vs mass pull for different mineralised domains for example; sub-grade, low-grade and high-grade and then more detailed work examining how to improve recovery and waste partitioning for each domain. Ultimately, subject to the test work outcomes ore sorting may be appropriate for the entire run-of-mine ore stream, or might just be applied to the lower grade material, which contains higher proportions of gangue minerals, that is if it proves to be viable at all.

- The opportunities that ore sorting may unlock include:
- Reduce the scale of the required processing equipment - saving on capital costs;
- Reduce operating costs with less material passing through the main plant and perhaps also less abrasive material which may also improve processing efficiency; and
- Reduce downstream or collateral effects e.g. acidification of tailings by rejecting high-sulphide material prior to grinding.

Discussions to advance the next series of test work are in progress with several sorting equipment suppliers.

2.4.5 Downstream Processing

The initial focus is on:

a. Spheroidisation and purification test work (battery market), which commenced in June 2017;
b. Intercalation test work (for expandable graphite market), planned for late, 2017; and
c. As well as further review on the market and application of graphene – where the Company has previously achieved encouraging test work results.

Downstream processing represents opportunities to achieve higher margins and gain greater benefit of the quality and technical attributes of the McIntosh concentrate – such as grade, purity, crystallinity and excellent electrical properties which may minimise downstream processing costs and yield quality intermediate products.

In August, 2017, Hexagon announced positive results from preliminary test work aimed at assessing the quality and amenability of the Company's flake graphite concentrate for use in lithium ion batteries. 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 3. The McIntosh graphite flake concentrate test results fulfil all early parameters for the battery industry. These results have been achieved without optimisation or having undergone any further purification or modification processes (compared to the reference specifications).

Table 3: Battery Anode Utility – McIntosh Preliminary Test Results

Parameter Tested	Units	McIntosh Sample	Reference Material
Yield	%	58	c.50%
Particle Size (D50)	Microns	15.3	15.1
Particle Size Distribution (D90/D10)	Ratio	2.2	2.4
Tap Density	g/cm^3	0.92	1.07
Surface Area	m^2/g	8.9[1]	2 - 5
Reversible Capacity[2]	mAh/g	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 (refer section 2.3).*
2. *Coin cell data, electrode 91.9% graphite (not spherical but raw flake concentrate), 2% conducting carbon and 6.1% binder.*

These results, supported by previous assay data confirming low impurities, demonstrates that the McIntosh flake concentrate appears well suited for lithium-ion batteries. This information will be critical for future discussions with partners, customers and potential off-take parties. It will also provide a focus for optimisation and verification test work which can now be undertaken to enhance the material properties further.

Hexagon is working with several technical experts in the battery material and battery design fields to evaluate its product for the battery end market and to design test work programs which meet the stringent standards imposed by the battery manufacturers as part of their pre-qualification processes. Pre-qualification can be a lengthy process and this is planned to fast track that.

3. Mineral Resource & Ore Reserve Estimates

The Company has its own in house geological team responsible for new discoveries, data acquisition and the Mineral Resource estimates. The Mineral Resources updated in May 2017 and utilised in the PFS were reviewed by Optiro Pty Ltd, a leading, independent resources and mining consultancy group.

3.1 Mineral Resource Estimate

An updated Mineral Resource estimate was reported to ASX on 24 May, 2017 for each of the four deposits evaluated in the PFS, Emperor, Longtom, Wahoo and Barracuda as shown in Figure 2. The structural setting comprises attenuated open and closed fold structures with variable plunge trends, often with higher grade graphitic zones occurring in thickened fold hinge zones. Several domains have been outlined based on dominant lithology and grades controlled by the lithological layering and fold structures.

The current Mineral Resource estimate is presented in Table 4. The likelihood of eventual economic extraction was considered in terms of possible open pit mining, likely product specifications, possible product marketability and potentially favourable logistics to port. It is concluded that the McIntosh Project contains an Industrial Resource for graphite in terms of JORC Code 2012 Clause 49.

A range of graphite products is being considered by Hexagon. Metallurgical test work completed to date indicates a flake graphite concentrate produced from the McIntosh resource is amenable for sale into the lithium ion battery market. Please refer to reports; "Excellent Stage 1 Lithium Ion Battery Results from McIntosh And $2m Placement," 6 October 2016 and "Positive Preliminary Battery Test Work Results from McIntosh Flake Graphite Concentrate," reported 16 August, 2017. With respect to potential graphene markets, "Outstanding Graphene and Graphite Bulk Scale Results Markets", 3 May 2016. Metallurgical test work has been completed on samples from the Emperor and Wahoo deposits, and diamond drill samples from the Longtom and Barracuda deposits indicate similar geological and mineralisation characteristics.

Table 4. McIntosh Flake Graphite Project Mineral Resource as at May 2017 reported by deposit and above a 3% TGC cut-off grade.

<table>
<tr><th>Deposit</th><th>JORC Classification</th><th>Material Type</th><th>Tonnes (Mt)</th><th>TGC %</th><th>Contained Graphite (Kt)</th></tr>
<tr><td rowspan="5">Emperor</td><td rowspan="2">Indicated</td><td>Oxide</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Primary</td><td>8.2</td><td>4.3</td><td>352</td></tr>
<tr><td rowspan="2">Inferred</td><td>Oxide</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Primary</td><td>5.3</td><td>4.5</td><td>235</td></tr>
<tr><td>Indicated + Inferred</td><td>Oxide + Primary</td><td>13.4</td><td>4.4</td><td>587</td></tr>
<tr><td rowspan="5">Longtom</td><td rowspan="2">Indicated</td><td>Oxide</td><td>0.7</td><td>4.7</td><td>34</td></tr>
<tr><td>Primary</td><td>3.5</td><td>5.0</td><td>173</td></tr>
<tr><td rowspan="2">Inferred</td><td>Oxide</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Primary</td><td>1.3</td><td>5.2</td><td>67</td></tr>
<tr><td>Indicated + Inferred</td><td>Oxide + Primary</td><td>5.5</td><td>5.0</td><td>274</td></tr>
<tr><td rowspan="5">Wahoo</td><td rowspan="2">Indicated</td><td>Oxide</td><td>0.1</td><td>4.2</td><td>3.5</td></tr>
<tr><td>Primary</td><td>1.1</td><td>4.2</td><td>44</td></tr>
<tr><td rowspan="2">Inferred</td><td>Oxide</td><td>0.1</td><td>4.1</td><td>3.4</td></tr>
<tr><td>Primary</td><td>0.5</td><td>4.2</td><td>22</td></tr>
<tr><td>Indicated + Inferred</td><td>Oxide + Primary</td><td>1.7</td><td>4.2</td><td>70</td></tr>
<tr><td rowspan="3">Barracuda</td><td rowspan="2">Inferred</td><td>Oxide</td><td>0.2</td><td>4.5</td><td>11</td></tr>
<tr><td>Primary</td><td>0.5</td><td>4.4</td><td>21</td></tr>
<tr><td>Inferred</td><td>Oxide + Primary</td><td>0.7</td><td>4.4</td><td>32</td></tr>
<tr><td>Total</td><td>Indicated + Inferred</td><td>Oxide + Primary</td><td>21.3</td><td>4.5</td><td>964</td></tr>
</table>

Note: Rounding may result in differences in totals for tonnage and grade

3.2 Ore Reserve

A maiden Ore Reserve for the McIntosh Project was estimated for each of the three deposits at McIntosh; Emperor, Longtom and Wahoo based on the current Mineral Resource (May 2017). The combined total is 11.9 million tonnes grading 4.3 % TGC as summarised in Table 5.

Table 5: McIntosh Ore Reserve as at May 2017

Deposit	JORC Classification	Pit Stage	Tonnes (Mt)	TGC %	Contained Graphite (Kt)
Emperor	Probable	Stage 1	3.3	4.0	130
		Stage 2	4.4	4.2	182
	Probable		**7.6**	**4.1**	**313**
Longtom	Probable	Stage 1	1.2	4.9	58
		Stage 2	2.2	4.7	104
	Probable		**3.4**	**4.8**	**162**
Wahoo	Probable	Stage 1	0.5	4.2	21
		Stage 2	0.4	3.7	15
	Probable		**0.9**	**3.9**	**36**
Total	**Probable**		**11.9**	**4.3**	**511**

Note: Rounding may result in differences in totals for tonnage and grade

The Ore Reserve estimate was undertaken at a nominal cut-off grade of 3% TGC and based on optimised pit shells assuming product price of A$1,800/t. The Ore Reserve estimate is inclusive of the Mineral Resource estimate reported in Table 5 above. A complete summary of the modifying factors for the estimation of the Probable Ore Reserve is provided in ASX report dated 31 May 2017.

This PFS is based on mining Ore Reserve and Mineral Resource from the pit designs for each deposit. The “in-pit” Mineral Resource component comprises Inferred Mineral Resources which comprises 16% of the total production target. This is tabulated in Table 6 below and totals 2.36 million tonnes grading 4.2% TGC.

Table 6: McIntosh Inferred Resource within the Pit Designs and included in the Production Target

Deposit	JORC Classification	Pit Stage	Tonnes (Mt)	TGC %	Contained Graphite (Kt)
Emperor	Inferred	Stage 1	0.02	3.0	0.5
		Stage 2	1.3	4.2	56
	Inferred		**1.3**	**4.2**	**56**
Longtom	Inferred	Stage 1	-	-	-
		Stage 2	0.06	4.9	2.9
	Inferred		**0.06**	**4.9**	**2.9**
Wahoo	Inferred	Stage 1	0.08	4.0	3.2
		Stage 2	0.43	3.9	17
	Inferred		**0.51**	**3.9**	**20**
Barracuda	Inferred	Stage 1	0.51	4.3	19
	Inferred		**0.51**	**4.3**	**19**
Total	**Inferred**		**2.36**	**4.2**	**99**

Note: Rounding may result in differences in totals.

There is significant uncertainty related to Inferred Resources but the Company considers that it has reasonable grounds for disclosing a production target which includes a modest proportion of Inferred classified material as set out further below. Notwithstanding, it is important to note that there is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the production target itself will be realised.

The total proportions of Indicated Mineral Resources (Probable Ore Reserve) and Inferred Mineral Resource comprising the overall Production Target from each deposit and related waste tonnages are summarised in Table 7. The waste to ore ratios are presented with the Indicated material assuming the “Inferred” is classified as waste and with the “Total” assuming the Inferred material is delineated, mined and processed.

Given that the Inferred Mineral Resource generally occurs near the base of each deposit, has similar grades and geology to the Indicated Mineral Resource or is extracted late in the project life, the Company considers it reasonable to include it in this PFS-scale economic assessment – understanding that for FS assessment, further drilling will be required to confirm and upgrade the classification of that material to be included in any Ore Reserve.

Table 7: A summary of the Production Target by Deposit and Resource Classification

Deposit	JORC Classification	Tonnes (Mt)	Grade (% TGC)	Contained Graphite (Kt)	W:O	% Inferred
Emperor	Indicated	7.65	4.1	313	5.8	
	Inferred	1.33	4.2	56	-	
	Total	**8.98**	**4.1**	**369**	**4.8**	**15%**
	Waste	43.0				
Longtom	Indicated	3.40	4.8	162	4.5	
	Inferred	0.06	4.9	2.9		
	Total	**3.5**	**4.8**	**165**	**4.4**	**2%**
	Waste	15.1				
Wahoo	Indicated	0.92	3.9	36	6.3	
	Inferred	0.51	3.9	20		
	Total	**1.43**	**3.9**	**56**	**3.7**	**36%**
	Waste	5.26				
Barracuda	Indicated	-	-	-	-	
	Inferred	0.45	4.3	19		
	Total	**0.45**	**4.3**	**19**	**3.3**	**100%**
	Waste	1.5				
PFS Total	Indicated	12.0	4.3	511	5.6	
	Inferred	2.36	4.2	99		
	Total	**14.32**	**4.3**	**609**	**4.5**	**16%**
	Waste	64.93				

Note: Rounding may result in differences in totals for tonnage and grade

The overall mining plan is based on a standard process of open pit optimisation, pits designs and scheduling assuming conventional "WA style" open pit mining comprising, drill, blast, load and haul to a Run-of-Mine (ROM) stockpile at the processing plant site. The scheduling philosophy was based around managing strip ratio and accessing higher grade deposits earlier in the project life.

3.3 Comparison with previous year's estimate

The Mineral Resource has 24% more tonnes and 21% more contained graphite than the Mineral Resource estimate reported in the previous, 2016 financial year.

- Emperor Deposit: previously comprised a total of 8.4Mt at 4.6% TGC for 386kt of contained graphite –an increase of 60% for tonnes and 52% increase for contained graphite attributable mainly to additional drill data.
- Longtom: previously comprised 7.1Mt at 4.7% TGC for 338kt of contained graphite – a decrease of 23% for tonnes and 19% for for contained graphite attributable to a new, inhouse resource estimate methodology including an increased cut-off grade from 2 to 3% TGC.
- Wahoo: previously comprised a total of 0.9Mt at 4.4% TGC for 41kt of contained graphite – an increase of 89% for tonnes and 71% increase for contained graphite attributable mainly to additional drill data.
- Barracuda: not material change in tonnes or grade, however following an updated estimate all of the minerlisaiton has been reclassified as Inferred, previously 29% was classified as Indicated.

The Ore Reserve estimate is the first Ore Reserve estimated at the McIntosh Project reported in accordance with the 2012 JORC Code.

Important Note:

1. **Modifying Factors** - a full summary is provided in ASX Report Dated 31 May, 2017.
2. **Competent Persons** attributions are presented in Section 5
3. **Mineral Resources and Ore Reserves (MROR)** – Section 3 of this Report represents the MROR for Hexagon Resources as at 28 September 2017.

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

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

The McIntosh Project Mineral Resource estimates were reported in May 2017 in accordance with the guidelines of the 2012 edition of the JORC Code. The Company is not aware of any new information or data that materially affects the information included in the relevant market releases for these estimates. The Company confirms that all material assumptions and technical parameters underpinning the estimates in the relevant market releases continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented here have not been materially modified.

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

4. Discovery

4.1. McIntosh Flake Graphite Project

The McIntosh project comprises 15 Exploration licences and 4 Mining Lease applications covering a total area of 330km2. This is the Company's core project containing significant graphite Mineral Resources which are currently the subject of a Feasibility Study. During the year exploration activities comprised drilling (Figure 3), airborne geophysical survey, resource estimations, mineral petrography and target generation as well as the PFS and FS related activities.

Figure 3: RC and Diamond drilling at Emperor (2016)

The current Mineral Resource comprises 4 deposits, Emperor, Longtom, Wahoo and Barracuda, in order of scale as shown in Figure 3.

4.1.1 Drilling

To increase and upgrade the Mineral Resources at the McIntosh Project a program of reverse circulation (RC) and diamond core drilling (D) was completed during September to November 2016. A total of 46 drill holes were completed for 4,964.78 metres as summarised in Table 8.

Emperor, currently the largest defined resource was the focus of drilling. A Drill hole Location Plan is presented in Figure 4 and a representative cross section in Figure 5. Significant results from drilling at Emperor included;

- T6GRC203: 77 metres grading 5.0% TGC from 104 metres (including 71 metres at 5.2% TGC from 104 metres)
- T6GRC207: 66 metres grading 4.6% TGC from 93 metres (including 25 metres at 5.3% TGC from 69 metres and 32 metres at 4.9% TGC from 101 metres)
- T6GDD196: 103 meters grading 3.6% TGC from 56 metres (including 56 meters at 4.0% TGC from 75 metres, 8 metres at 6.0% TGC from 123 metres and 19 metres at 4.1% TGC from 139 metres.

Significant results from drilling at Wahoo included;

- T4GRC224: 20 metres grading 4.3% TGC from 13 metres, 5 metres grading 6.0% TGC from 16 metres, 17 metres grading 4.7% TGC (including 5 metres at 6.0% TGC from 52 metres) and 15 metres grading 4.3% TGC from 62 metres (including 5 metres at 5.3% TGC from 72 metres).
- T4GRC233: 16 metres grading 4.0% TGC from 18 metres, 7 metres grading 5.7% TGC from 25 metres, 7 metres grading 4.3% TGC from 41 metres, 8 metres grading 6.0% TGC from 65 metres (including 4 metres at 7.3% TGC from 67 metres), 21 metres grading 3.5% TGC from 82 metres (including 4 metres at 6.2% TGC from 99 metres) and 4 metres grading 4.3% TGC from 119 metres.

Table 8: Summary of drilling completed in the 2016-2017 financial year

Deposit	Drill Hole Type	No. Drill Holes	Metres
Emperor	Diamond	4	727.37
	RC/Diamond	6	1123.91
	RC	7	846
Cobia	RC	3	244
Wahoo	RC	26	2023.5
Totals	**Diamond**	**4**	**727.37**
	RC/D	**6**	**1123.91**
	RC	**36**	**3113.5**
Grand Total		**46**	**4964.78**

Figure 4: Emperor Drill Hole Location Plan

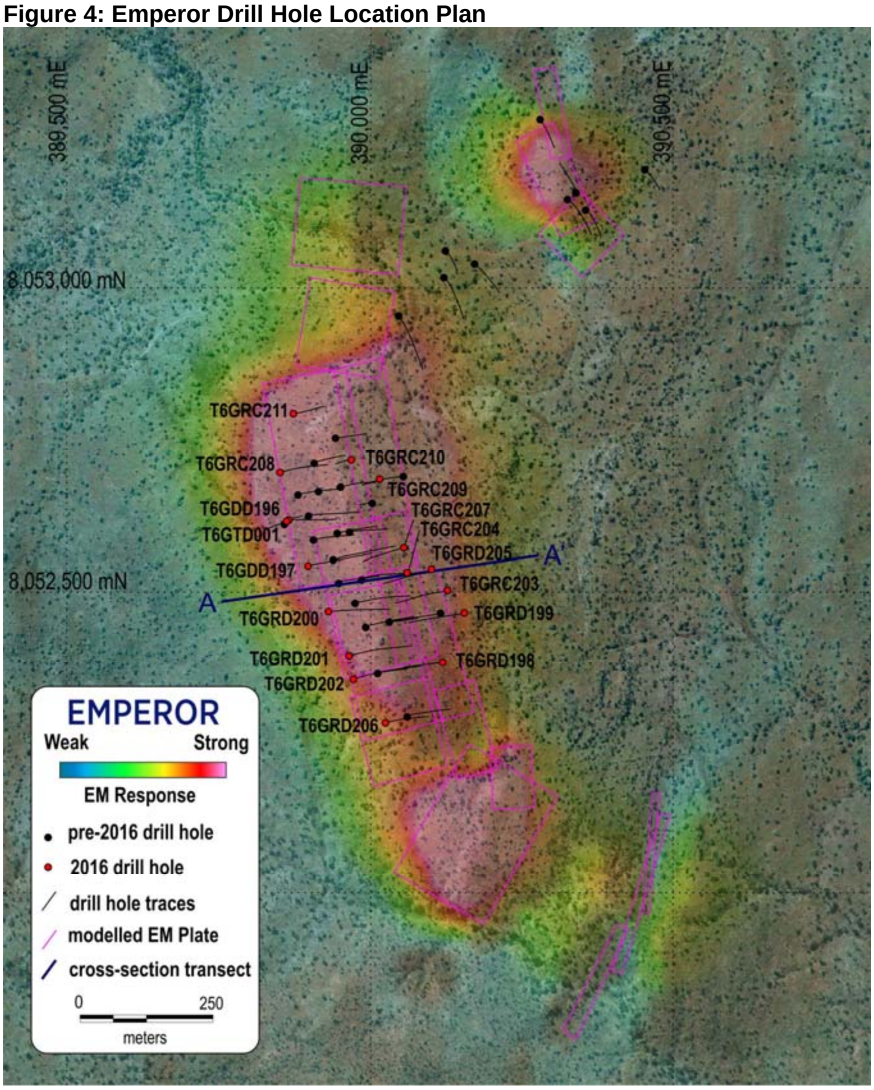
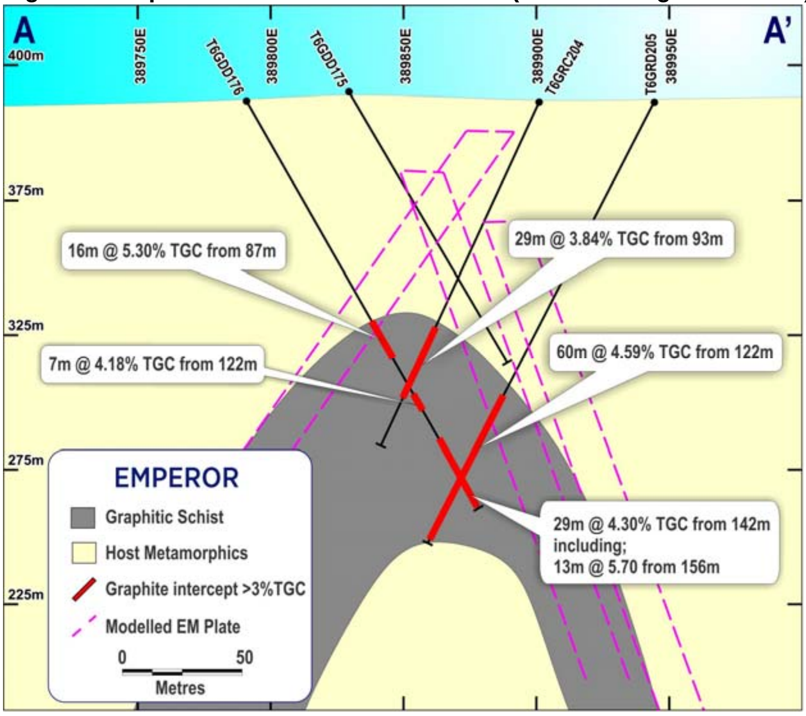


Figure 5: Emperor Schematic Cross Section (A-A' from Figure 5 above)



Note - strong correlation between modelled EM plates and graphite mineralisation.

4.1.2 Geophysics

An airborne electro-magnetic (EM) survey using the EM Xcite™ technology, as shown in figure 6, was completed in late 2016 over the eastern tenements of the McIntosh project. This survey was designed to identify highly conductive units interpreted to represent graphite bearing horizons, as shown in Figure 6. Selected areas with strong EM responses were modelled as "plates", to provide an indication of approximate geometry of potential graphite mineralisation. The Xcite survey highlighted approximately 20 strike kilometres of "late-time" EM anomalism (Refer Figure 7), of which 4.5km has been modelled by Hexagon's geophysical consultants, Southern Geoscience Consultants,to aid in the calculation of the Exploration Target shown in Table 8.

Figure 6: New Resolution Geophysics (Australia) Xcite™ system

4.1.3 Exploration Target Estimate

Exploration Targets were estimated using a combination of exploration data consisting of mapping and drilling or geophysical modelling of EM data collected from a VTEM survey completed in 2014 and the 2016 Xcite survey.

Hexagon has estimated an Exploration Target of 110 to 220 million tonnes grading 2.5 to 5% TGC containing 3 to 11 million tonnes of graphite as presented in Table 8. The location and interpreted size of the individual targets is presented in Figure 8. A detailed summary of the estimate was reported to ASX on 12 April, 2017.

The Exploration Target size demonstrates the projects potential to support a long-term/large scale flake graphite project. The Exploration Target is in addition to the reported Mineral Resources on the project.

Cautionary Statement: The potential quantity and grade of the Exploration Targets is conceptual in nature, there has been insufficient exploration work to estimate a mineral resource and it is uncertain if further exploration will result in defining a mineral resource.

Table 8: McIntosh Flake Graphite Project – Exploration Target Estimate.

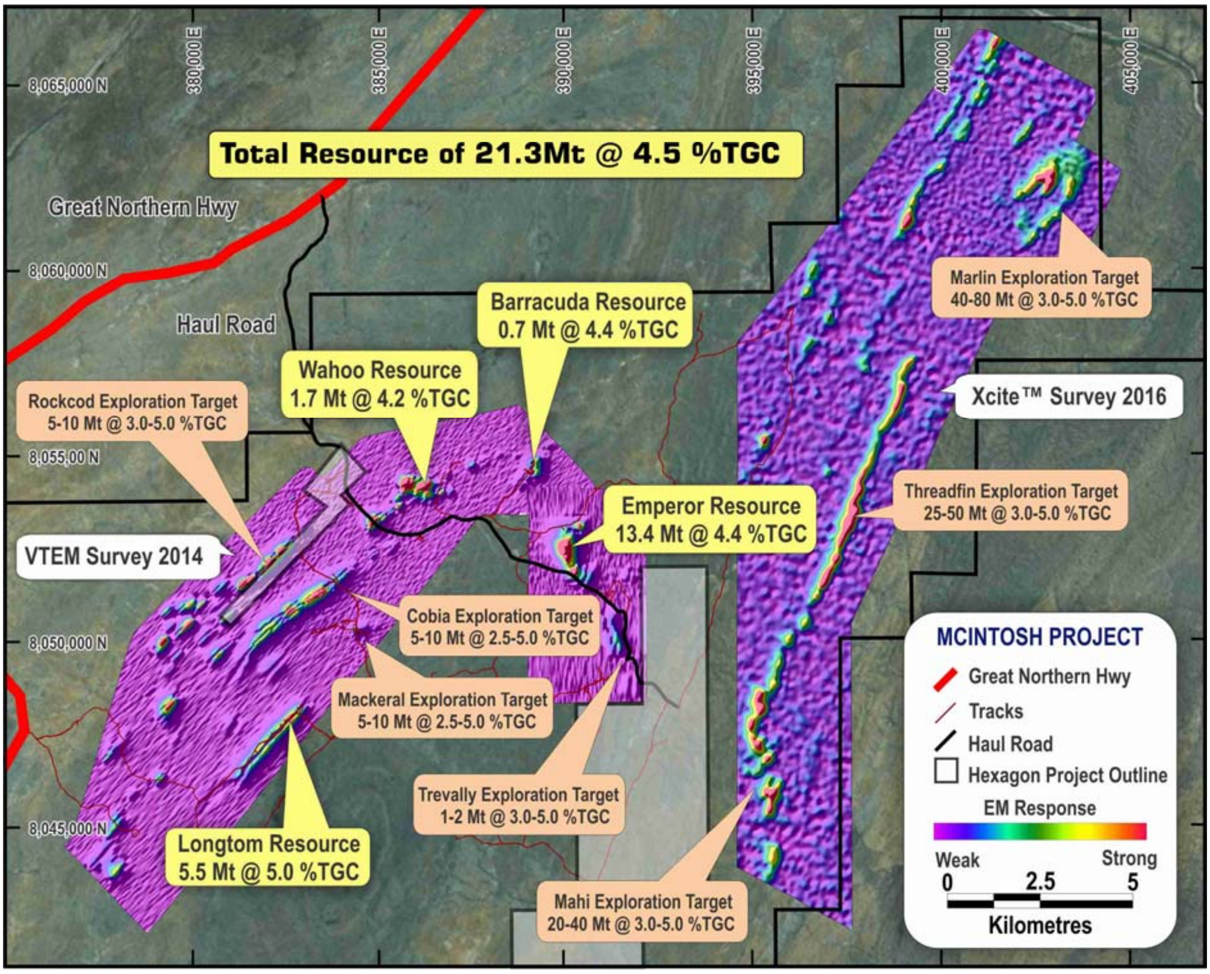
Prospect	Tonnage Range (Mt)	Grade Range (%TGC)
Emperor[1]	3 - 8	4.0 – 5.0
Longtom[1]	4 - 6	4.0 – 5.0
Wahoo[1]	1 - 2	4.0 – 5.0
Barracuda[1]	1 - 2	4.0 – 5.0
Cobia	5 - 10	2.5 – 5.0
Marlin	40 - 80	3.0 – 5.0
Mahi Mahi	20 - 40	3.0 – 5.0
Threadfin	25 - 50	3.0 – 5.0
Rockcod	5 - 10	3.0 – 5.0
Mackerel	5 - 10	2.5 – 5.0
Trevally	1 - 2	3.0 – 5.0
Total	**110 - 220**	**2.5 – 5.0**

Note[1]: This estimate is in addition to tonnes in the current defined Mineral Resources reported to ASX 25May 2017.

The electro-conductive properties of graphite enable the use of EM data as a proven technique in identifying potential graphite mineralisation. An example of this is the strong correlation between graphite mineralisation and the modelled EM plates at the Emperor deposit, as illustrated in Figure 5 above.

To calculate the Exploration Target Estimate, a nominal density of 2.8 t/m3 has been used to convert volumes to tonnes. This is based on density measurements from the four existing Mineral Resources from both oxide (2.7 t/m3) and fresh (2.9 t/m3) mineralisation. The grade range used for each prospect making up the Exploration Target is between 3 to 5% TGC based on the grade distribution across the four Mineral Resources and the strength of the associated EM responses.

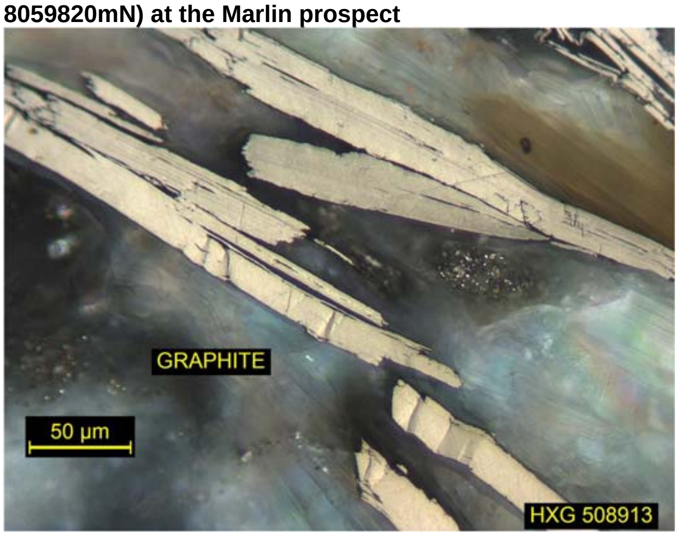
Figure 7: The location of the Exploration Targets, overlain on coloured contours of the "late-time EM" anomalism coloured using comparable channels from the VTEM and Xcite EM surveys and the existing McIntosh Resource



4.1.4 Mineral Petrography

Thin section analysis was completed on selected rock chip samples collected from surface at the Marlin prospect. Graphite flakes were observed both singularly and in bunches with long dimensions exceeding 500 microns, as shown in Figure 8. The presence of these Jumbo and Super Jumbo sized flake supports the Company's new metallurgical test work targeting preservation of the larger flake material.

Figure 8: Jumbo flake graphite in thin section from surface rock chip sample HXG 508913 (396578mE; 8059820mN) at the Marlin prospect



4.1.5 Project Generation & Planned Work

An independent review by CSA Global to assess the prospectivity of the McIntosh tenements for commodities other than graphite highlighted potential for magmatic sulphide styles of mineralisation.

In particular areas along strike from the Copernicus Open Cut Mine (owned by Panoramic Resources) were identified as prospective for nickel/copper and platinum group metal mineralisation.

Hexagon plans to undertake additional graphite resource and development focussed drilling around the current McIntosh Mineral Resources as well as target testing of new prospects identified from the EM modelling and surface sampling work.

4.2 Halls Creek Project

The Halls Creek Project is an early stage exploration project comprising 4 Exploration Licences and 8 Prospecting Permits covering 750 km^2 (refer Figure 9). The Company and CSA Global has identified the potential for gold and base metal mineralisation. In particular:

1) Orogenic Gold targets include:

- Extensions to known mineralised structures in the area;
- An area approximately 20 km east of the Halls Creek township where there are major structural junctions in an area of apparent complex fold patterns;
- South and south-east corner of the project area where several major fault structures occur; and
- Far east of the project where a major fault juxtaposes the Biscay Formation.

2) Volcanogenic hosted massive sulphide (VHMS) base metal targets include:

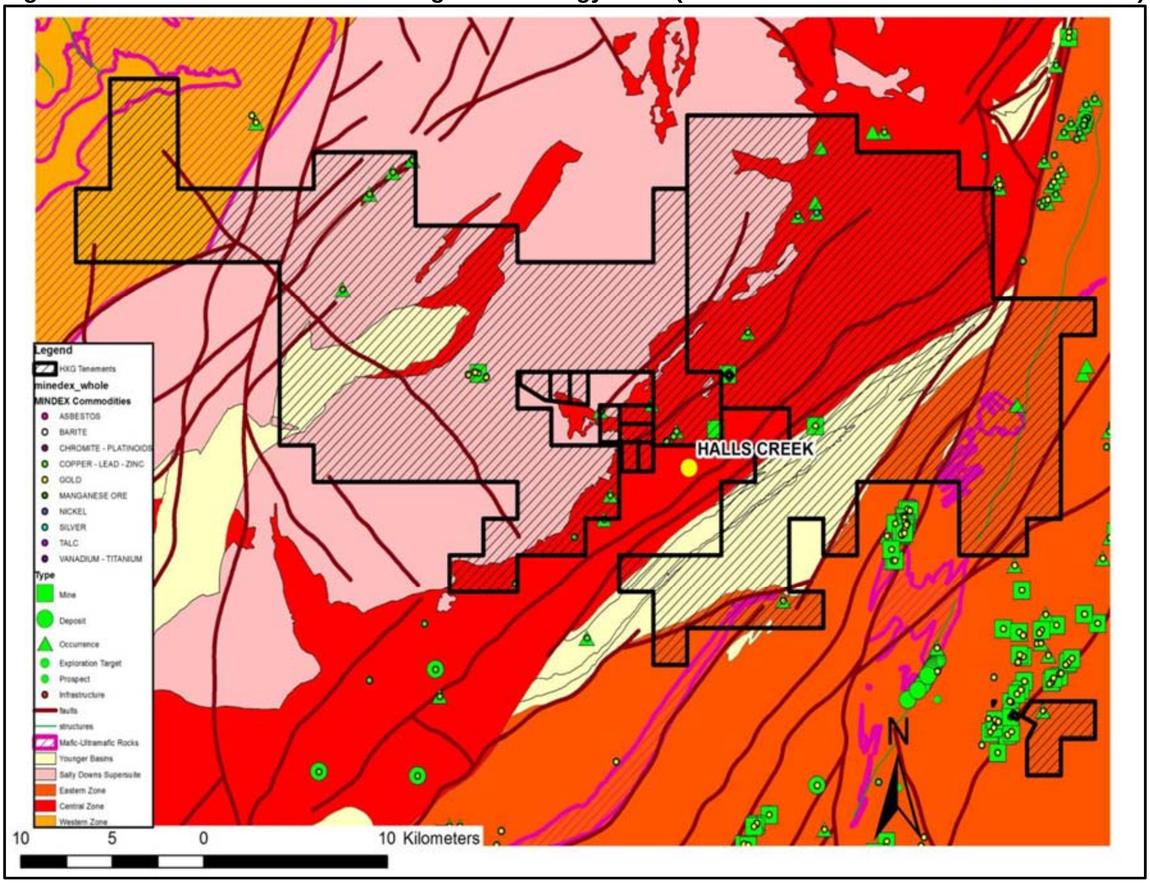
- Northeast-trending belt of VHMS Zn-Pb-Cu showings to the immediate north of Halls Creek associated with local strata-bound magnetic highs;
- Other local magnetic high trends within the undifferentiated Koongie Park Formation to the immediate northeast of Halls Creek;
- Cluster of base-metal occurrences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

The Company has undertaken reconnaissance field work, including soil sampling,as well as target generation activities in-house and with CSA Global. This work is on-going, however the Company is seeking joint venture proposals from groups with the technical and financial capacity to advance the tenements.

4.3 Mabel Downs

The Mabel Downs Project comprises 3 Exploration Licences covering a total of 171 km^2. Exploration work by Hexagon on the tenements includes the re-processing of historical EM surveys. This work was aimed at identifying targets prospective for both graphite and magmatic sulphide nickel-copper-PGM mineralisation. Results from the re-processing of VTEM data showed limited EM responses and therefore little potential for shallow graphite targets. On this basis Hexagon has relinquished all of the Mabel Downs tenements in early September 2017.

Figure 9: Tenement Locations and Regional Geology Plan. (based on based on GSWA MINDEX data)



5. 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 Project 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.

Ore Reserves and Mine Planning

This Ore Reserve statement has been complied in accordance with the guidelines defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code – 2012 Edition) and should read in conjunction of the Section 4 Estimation and Reporting of Ore Reserves.

The Ore Reserve has been compiled by Stephen O'Grady, Principal of Intermine Engineering Consultants, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr. O'Grady has had sufficient experience in Ore Reserve estimation relevant to the style of mineralisation and type of deposit under consideration to qualify as Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Mineral Resources and Ore Reserves. Mr. O'Grady consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

6. Interests in Exploration Tenements

Table 9: Hexagon Resources Limited held the following interests in exploration tenements as at 27 September 2017.

Project	Tenement	Application Date	Grant Date	Expiry Date
	E80/3864	29/01/2007	8/04/2013	7/04/2018
	E80/3906	16/03/2007	3/12/2013	2/12/2018
	E80/3907	16/03/2007	3/12/2013	2/12/2018
	E80/3928	17/04/2007	2/06/2014	1/06/2019
	E80/4688	15/02/2012	25/10/2012	24/10/2017
	E80/4732	24/08/2012	14/11/2013	13/11/2018
	E80/4733	28/08/2012	15/11/2013	14/11/2018
	E80/4739	20/09/2012	1411/2013	13/11/2018
	E80/4734	29/08/2012	17/09/2014	16/09/2019
	E80/4825	28/08/2013	3/09/2014	2/09/2019
	E80/4841	3/12/2013	27/08/2014	26/08/2019
	E80/4842	3/12/2013	27/08/2014	26/08/2019
	E80/4879	12/05/2014	23/07/2015	22/07/2020
	E80/4931	16/12/2014	12/08/2015	11/08/2020
	*MLA 80/632	2/12/2016		
	*MLA 80/633	2/12/2016		
	*MLA 80/634	2/12/2016		
	*MLA 80/635	2/12/2016		
	P80/1799	9/05/2012	3/09/2013	2/09/2017
	P80/1800	9/05/2012	3/09/2013	2/09/2017
	P80/1801	9/05/2012	3/09/2013	2/09/2017
	E80/4793	17/05/2013	3/11/2014	2/11/2019
	E80/4794	17/05/2013	3/09/2014	2/09/2019
	E80/4795	17/05/2013	10/12/2014	9/12/2019
Halls Creek WA	E80/4858	23/01/2014	6/05/2016	5/05/2021
	P80/1814	5/09/2013	7/10/2014	6/10/2018
	P80/1815	5/09/2013	7/10/2014	6/10/2018
	P80/1816	5/09/2013	7/10/2014	6/10/2018
	P80/1817	5/09/2013	7/10/2014	6/10/2018
	P80/1818	5/09/2013	7/10/2014	6/10/2018
	P80/1821	31/10/2013	27/08/2014	26/08/2018

** Mining Lease applications.*

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

LIKELY DEVELOPMENTS AND FUTURE OPERATIONS

During the financial year ending 30 June 2018, the Company will continue to advance the McIntosh Flake Graphite project, aiming to bring it into production as soon as possible. As well it will continue to explore its Halls Creek project which is prospective for gold and base metals and continue to assess other new opportunities. The Company's planned activities for the coming year include:

McIntosh Project

- Target testing for regional prospects to verify Exploration target estimates;
- Continue definitive feasibility study work focussing particularly on processing aspects;
- Continue to evaluate secondary processing options for Li-ion battery markets as well as other potential end uses;
- Seek offtake and financing for the McIntosh Project; and
- Ongoing work to obtain the required Mining Licences and operating approvals.

Halls Creek Project

- Continue regional target generation, mapping and geochemical surveys.

Business Development

- Review and assess new opportunities for the Company to expand its technical materials business.

INDEMNIFICATION OF OFFICERS OR AUDITOR

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

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

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

SHARE OPTIONS

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

		Movements				
Expiry Date	**Exercise Price**	**1 July 2016**	**Issued**	**Exercised**	**Expired/ Lapsed**	**30 June 2017**
3 March 2018	$0.16162	3,000,000	-	-	-	3,000,000
31 December 2016 (1)	$0.08	3,000,000	-	-	(3,000,000)	-
30 September 2017	$0.12	6,668,750	-	(2,537,500)	-	4,131,250
11 November 2017	$0.08	450,000	-	-	(150,000)	300,000
30 June 2018 (1)	$0.133	-	5,000,000	-	(1,750,000)	3,250,000
30 June 2018 (1)	$0.133	-	2,250,000	-	(1,000,000)	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
TOTAL		13,118,750	13,250,000	(2,537,500)	(5,900,000)	17,931,250

(1) Subject to vesting conditions

REMUNERATION REPORT - AUDITED

This report outlines the remuneration arrangements in place for the Directors and key management personnel of the Group.

Remuneration Policy

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

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

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

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

Non-Executive Director Remuneration

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

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

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

As at 30 June 2017 each non-executive Director was entitled to receive fees of $40,000 plus superannuation (2016: $40,000 plus superannuation) per annum and the Chairman $65,000 (2016: $60,000) per annum. A Director will not be entitled to receive Directors' fees if he or she is employed by the Company in a full-time executive capacity.

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

The remuneration of non-executive Directors for the year ending 30 June 2017 is detailed in Table 1 of this Remuneration Report.

Executive Directors and Key Management Personnel Remuneration

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

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

The remuneration of the executive chairman and key management personnel for the year ending 30 June 2017 is detailed in Tables 1 and 2.

Employment Contracts

Agreement with the Managing Director – Michael Rosenstreich

On 15 March 2017, the Company and Michael Rosenstreich entered into an agreement containing the terms and conditions under which he will provide his services to the Company. Mr Rosenstreich was appointed Managing Director on 17 March 2017.

The agreement:

- has no specified term;
- involves the payment to Michael Rosenstreich of an annual salary of $250,000 plus 9.5% superannuation on gross salary and reimbursement of all reasonable business expenses;
- participation in share based payments from time to time at the discretion of the Board and subject to shareholder approval;
- participation in employee share option plan with a proposal of an initial option based incentive program to be determined within one month of employment, subject to shareholder approval;
- payment of a 10% incentive scheme to apply per year based on goals set by the board on July 1 of each year;
- has provision for three months' notice for termination by either the Company or Michael Rosenstreich; and
- otherwise contains standard terms relating to confidentiality, conflicts of interest and representations and warranties.

Agreement with Chairman – Charles Whitfield

On 4 May 2017, the Company and Charles Whitfield entered into an agreement containing the terms and conditions under which he will provide his services as Non-Executive Chairman of the Company and an agreement containing the terms and conditions under which he will provide his services as a Consultant to the Company.

The agreement for Non-Executive Chairman Services:

- has no specified term;
- involves the payment to Charles Whitfield of annual director's fees of $65,000 plus reimbursement of all reasonable business expenses;
- participation in the employee share option plan at the discretion of the Board and subject to shareholder approval;
- has provision for 90 days' notice for termination by either the Company or Charles Whitfield; and
- otherwise contains standard terms relating to confidentiality, conflicts of interest and representations and warranties.

The agreement for Consulting Services:

- has no specified term;
- involves the payment to Charles Whitfield of annual consulting fees of $85,000 plus reimbursement of all reasonable business expenses;
- participation in the employee share option plan at the discretion of the Board and subject to shareholder approval;
- has provision for 90 days' notice for termination by either the Company or Charles Whitfield; and
- otherwise contains standard terms relating to confidentiality, conflicts of interest and representations and warranties.

Agreement with the former Chief Executive Officer and Executive Director – Anthony Cormack

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

The agreement:

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

Mr Cormack resigned effective 4 May 2017.

Agreement with Company Secretaries

Since her appointment on 20 November 2014, the Joint Company Secretary and CFO, Ms Leni Stanley, is engaged on an on-going consultancy style agreement for the provision of services as company secretary and chief financial officer. Services are invoiced monthly based on an agreed monthly fee. The contract provides for a three month notice period. Ms Stanley has tendered her resignation effective 31 October 2017.

Mr Rowan Caren was appointed Joint Company Secretary on 18 September 2017. He will assume full responsibility for all company secretarial duties effective 1 November 2017. Mr Caren is engaged on an on-going consultancy style agreement for the provision of services as company secretary. Services are invoiced monthly based on an agreed monthly fee. The contract provides for a 30 day notice period.

Since his appointment on 20 November 2014, the Joint Company Secretary, Mr Brent Van Staden, was engaged on an on-going consultancy style agreement for the provision of services as company secretary. Services are invoiced monthly based on an agreed monthly fee. The contract provides for a three month notice period. In addition, Mr Van Staden provided legal services which are invoiced based on the services provided. Mr Van Staden resigned effective 5 May 2017.

Details of Directors and Key Management Personnel

Directors - Current

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

Directors - Past

Name	Position	Period of Directorship
Neville Miles	Non-Executive Chairman	Appointed 9 December 2014. Resigned 4 May 2017
Anthony Cormack	Executive Director and CEO	Appointed 17 December 2014. Resigned May 2017

Key Management Personnel - Current

Name	Position	Detail
Leni Stanley	Joint Company Secretary & CFO	Commenced 20 November 2014
Rowan Caren	Joint Company Secretary	Commenced 18 September 2017

Key Management Personnel - Past

Name	Position	Detail
Brent Van Staden	Joint Company Secretary	Commenced 20 November 2014. Resigned 5 May 2017

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

Table 1: Director Remuneration

2017	Short Term			Long Term	Post-employment	Share-based Payments			
	Salary & Fees	Consulting fees	Bonus entitlement	Leave Entitle-ments	Super-annuation	Options	**Total**	Perfor-mance Related %	% consisting of options
	$	$		$	$	$	$		
Directors									
Charles Whitfield(1)	56,856	14,160	-	-	-	127,568	198,584	-	64%
Michael Rosenstreich(2)	73,958	-	7,292	-	7,026	-	88,276	8%	-
Garry Plowright	40,000	-	-	-	3,800	38,333	82,133	-	47%
Neville Miles(3)	50,000	-	-	-	-	115,698	165,698	-	70%
Anthony Cormack(4)	185,652	-	-	46,654	22,069	128,189	382,564	-	34%
	406,466	14,160	7,292	46,654	32,895	409,788	917,255		

There were no retirement benefits paid during the year

(1) Charles Whitfield was appointed Non-Executive Director on 22 August 2016. Mr Whitfield was appointed as Chairman on 5 May 2017.
(2) Michael Rosenstreich was appointed as Managing Director on 17 March 2017.
(3) Neville Miles resigned 4 May 2017
(4) Anthony Cormack resigned 4 May 2017

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

There were no retirement benefits paid during the year

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

Table 2: Remuneration of key management personnel

2017	Short Term		Long Term	Post-Employment		Share-based Payments			
	Salary & Fees	Cash Bonus	Leave Entitle-ments	Superan-nuation	Retire-ment benefits	Options	**Total**	Performance Related %	% consisting of options
	$	$	$	$	$	$	$		
Key Management Personnel									
Leni Stanley	24,996	-	-	-	-	7,173	32,169	-	22%
Brent Van Staden (1)	20,780	-	-	-	-	3,587	24,367	-	15%
	45,776	-	-	-	-	10,760	56,536		

(1) Brent Van Staden resigned on 5 May 2017

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

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

Termination benefits

No termination benefits were paid during the 2017 financial year (2016: Nil).

Bonuses

During the year a bonus entitlement of $7,292,accrued to Mr Rosenstreich in accordance with his employment contract. This represents 8% of his total remuneration for the year. No other key management personnel received cash bonuses, performance related bonuses, or non-cash benefits during the year.
During the prior year no proportion of the remuneration of any key management personnel was performance based. No key management personnel received cash bonuses, performance related bonuses, or non-cash benefits during the prior year.

Equity instruments issued as part of remuneration

During the financial year, following shareholder approval 7,250,000 options (2016: 3,000,000 options) were issued to Directors and nil options (2016: 150,000 options) were issued to other key management personnel as part of their remuneration.

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

2017	Opening Balance 1 July 2016	Additions[5]	Options Exercised	Net Change Other [6]	Closing Balance 30 June 2017
Directors					
Charles Whitfield[1]	-	2,806,463	-	-	2,806,463
Michael Rosenstreich[2]	-	96,053	-	-	96,053
Garry Plowright	500,000	-	-	-	500,000
Neville Miles[3]	2,104,639	423,026	-	(2,527,665)	-
Anthony Cormack[4]	354,359	-	-	(354,359)	-
Key Management Personnel					
Leni Stanley	-	-	-	-	-
Brent Van Staden	-	-	-	-	-
Total	2,958,998	3,325,542	-	(2,882,024)	3,402,516

(1) Charles Whitfield was appointed Non-Executive Director on 22 August 2016. Mr Whitfield was appointed as Chairman on 5 May 2017.
(2) Michael Rosenstreich was appointed as Managing Director on 17 March 2017.
(3) Neville Miles resigned 4 May 2017
(4) Anthony Cormack resigned 4 May 2017
(5) Shares acquired in the ordinary course of business
(6) Shares held on resignation

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

2017	Opening Balance 1 July 2016	Granted as compensation	Options Exercised	Net Change Options expired	Closing Balance 30 June 2017
Directors					
Charles Whitfield[1]	-	2,000,000	-	-	2,000,000
Michael Rosenstreich[2]	-	-	-	-	-
Garry Plowright	500,000	750,000	-	(500,000)	750,000
Neville Miles[3]	500,000	2,000,000	-	(2,500,000)	-
Anthony Cormack[4]	2,000,000	2,500,000	-	(4,500,000)	-
Key Management Personnel					
Leni Stanley	100,000	-	-	-	100,000
Brent Van Staden	50,000	-	-	-	50,000
Total	3,150,000	7,250,000	-	(7,500,000)	2,900,000

(1) Charles Whitfield was appointed Non-Executive Director on 22 August 2016. Mr Whitfield was appointed as Chairman on 5 May 2017.
(2) Michael Rosenstreich was appointed as Managing Director on 17 March 2017.
(3) Neville Miles resigned 4 May 2017
(4) Anthony Cormack resigned 4 May 2017

Share-based Compensation Benefits

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

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

2017	Grant date	Number of options granted as compens-ation during the year	Value of options at grant date [1] $	Number of options vested during the year	% vested	Number of options forfeited during the year	Years in which option may vest
Directors							
Charles Whitfield (a)	30/11/2016	1,000,000	$0.0960	-	-	-	2017 - 2018
Charles Whitfield (b)	30/11/2016	1,000,000	$0.0922	1,000,000	100%	-	2017 - 2018
Michael Rosenstreich	-	-	-	-	-	-	2017 - 2018
Garry Plowright (a)	30/11/2016	500,000	$0.0960	-	-	-	2017 - 2018
Garry Plowright (b)	30/11/2016	250,000	$0.0922	250,000	100%	-	2017 - 2018
Neville Miles (a)	30/11/2016	1,500,000	$0.0960	-	-	(2,500,000) [1]	2017 - 2018
Neville Miles (b)	30/11/2016	500,000	$0.0922	500,000	100%	-	2017 - 2018
Anthony Cormack (a)	30/11/2016	2,000,000	$0.0960	-	-	(4,500,000) [1]	2017 - 2018
Anthony Cormack (b)	30/11/2016	500,000	$0.0922	500,000	100%	-	2017 - 2018
Key Management Personnel							
Leni Stanley	-	-	-	-	-		
Brent Van Staden	-	-	-	-	-		
Total		7,250,000		2,750,000			

(a) Options issued on 30 November 2016, are exercisable at 13.3 cents each and expire on 30 June 2018, subject to vesting condition of the Company securing finance for development of the McIntosh Project to production.

(b) Options issued on 30 November 2016, are exercisable at 13.3 cents each and expire on 30 June 2018, subject to vesting condition of the Company volume weighted average share price on ASX is above 30 cents for at least 20 consecutive trading days.

[1] The value of options that were forfeited (lapsed) during the year was $nil. The value of the options that were granted as part of remuneration and that were forfeited (lapsed) during the year because a vesting condition was not satisfied was determined at the time of lapsing.

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

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

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

Fair value of options granted

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

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

The following table lists the inputs to the model used in the valuation of the options granted in 2017 and 2016:

	2017	2016
Expected volatility	100%	80% - 100%
Risk-free rate average	1.60%	1.60% - 2.10%
Expected life average (years)	2 years	1.5 years
Dividend yield	nil	nil
Weighted average exercise price ($)	$0.133	$0.08
Share price at grant date ($)	$0.28	$0.055 - $0.175

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

Other transactions with key management personnel

Drumrock Capital Ltd, an entity associated with Charles Whitfield, provided consulting services totaling $14,160 (2016: $Nil) to the Company during the year.

Relationship between remuneration and Company performance

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

Measures	2017	2016	2015	2014	2013
Share price at end of financial year ($)	0.09	0.15	0.06	0.90	0.08
Market capitalisation at end of financial year ($M)	22.17	35.07	10.27	107.97	6.37
Loss for the financial year ($)	1,696,620	2,570,062	5,693,038	1,888,768	5,215,600
Director and Key Management Personnel remuneration	966,499	442,158	851,956	688,394	646,998

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

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

The Company did not engage remuneration consultants during the 2017 financial year to review management and other staff remuneration packages.

End of Remuneration Report

NON-AUDIT SERVICES

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

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

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

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

	2017	2016
	$	$
Taxation services	18,154	16,345
Independent Accountants Report for Prospectus	-	15,000
Technical Advice including R&D Claims	13,000	13,000
Total	**31,154**	**44,345**

AUDITOR'S INDEPENDENCE DECLARATION

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

EVENTS AFTER BALANCE SHEET DATE

There have been no significant events after balance sheet date.

Signed in accordance with a resolution of the Board of Directors

Michael Rosenstreich
Director
28 September 2017

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

As lead auditor of Hexagon Resources Limited for the year ended 30 June 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

T R Mann
Director

BDO Audit Pty Ltd

Brisbane, 28 September 2017

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2017

	Note	2017 $	2016 $
Interest revenue		10,213	6,796
Other revenue		-	7,500
Unrealised FX gain/ (loss) on Hengda Deposit	3	(93,136)	99,879
Fair value gain/ (loss) on Lind options derivative liability	13	143,759	(128,182)
Gain on disposal of fixed asset		23,436	-
Employee expenses		(303,368)	(205,644)
Share based payment expense	18	(1,166,773)	(26,485)
Corporate and administration expenses		(729,148)	(656,278)
Impairment of Exploration costs		(333,739)	(384,321)
Provision for non-recovery of Hengda Deposit	3	905,079	(99,879)
Loss before income tax		(1,543,677)	(1,386,614)
Income tax		-	-
Loss from continuing operations		(1,543,677)	(1,386,614)
Loss from discontinued operations	2	(152,943)	(1,183,448)
Net Loss for the year		(1,696,620)	(2,570,062)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	16	(16,400)	3,529
Gain on revaluation of available-for-sale financial asset	16	1,100,052	-
Other comprehensive income for the year, net of tax		1,083,652	3,529
Total comprehensive income		(612,968)	(2,566,533)
Loss per Share		*Cents*	*Cents*
Basic and diluted loss per share	6	(0.7)	(1.2)
Basic and diluted loss per share – continuing operations	6	(0.6)	(0.6)
Total comprehensive income for the year attributable to owners arises from:			
Continuing operations		443,625	(1,386,614)
Discontinued operations		(169,343)	(1,181,919)
		(612,968)	(2,566,533)

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

Consolidated Balance Sheet
As at 30 June 2017

	Note	30 June 2017 $	30 June 2016 $
CURRENT ASSETS			
Cash and cash equivalents	8	1,856,812	1,000,320
Trade and other receivables	9	127,274	22,100
Other assets	10	5,815	6,535
TOTAL CURRENT ASSETS		1,989,901	1,028,955
NON-CURRENT ASSETS			
Trade and other receivables		11,450	23,141
Available-for-sale financial asset	11	1,300,052	-
Plant and equipment		3,651	20,553
Exploration and evaluation assets	12	8,568,394	8,036,814
TOTAL NON-CURRENT ASSETS		9,883,547	8,080,508
TOTAL ASSETS		11,873,448	9,109,463
CURRENT LIABILITIES			
Trade and other payables	13	324,517	289,514
Provisions		20,623	39,945
TOTAL CURRENT LIABILITIES		345,140	329,459
TOTAL LIABILITIES		345,140	329,459
NET ASSETS		11,528,308	8,780,004
EQUITY			
Share capital	14	51,132,064	48,937,564
Reserves	15	2,324,532	74,108
Accumulated losses		(41,928,288)	(40,231,668)
TOTAL EQUITY		11,528,308	8,780,004

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

Consolidated Statement of Changes in Equity
For the year ended 30 June 2017

Consolidated Entity	Share Capital	Reserves	Accumulated Losses	Total
	$	$	$	$
Balance at 1 July 2015	44,556,723	981,594	(37,661,606)	7,876,711
Transactions with owners in their capacity as owners				
Issue of share capital	3,387,553	-	-	3,387,553
Share issue costs	(147,712)	-	-	(147,712)
Exercise of options	203,500	-	-	203,500
Exercise of performance rights	937,500	(937,500)	-	-
Issue of options	-	26,485	-	26,485
Total	4,380,841	(911,015)	-	3,469,826
Comprehensive income				
Loss after income tax	-	-	(2,570,062)	(2,570,062)
Other comprehensive income	-	3,529	-	3,529
Total comprehensive income	-	3,529	(2,570,062)	(2,566,533)
Balance at 30 June 2016	48,937,564	74,108	(40,231,668)	8,780,004
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	2,000,000	-	-	2,000,000
Share issue costs	(110,000)	-	-	(110,000)
Exercise of options	304,500	-	-	304,500
Issue of options	-	1,166,772	-	1,166,772
Total	2,194,500	1,166,772	-	3,361,272
Comprehensive income				
Loss after income tax	-	-	(1,696,620)	(1,696,620)
Other comprehensive income:				
Currency translation differences arising during the year	-	(16,400)	-	(16,400)
Gain on the revaluation of available-for-sale financial assets	-	1,100,052	-	1,100,052
Total comprehensive income	-	1,083,652	(1,696,620)	(612,968)
Balance at 30 June 2017	51,132,064	2,324,532	(41,928,288)	11,528,308

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 year ended 30 June 2017

	Note	2017 $	2016 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(991,088)	(1,072,240)
Interest received		10,213	6,878
Other revenue		-	8,227
Net cash used in operating activities	16	(980,875)	(1,057,135)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(1,554)	(2,557)
Payments for exploration and evaluation		(2,729,472)	(1,964,826)
Receipt of government grant in relation to exploration assets		602,000	-
Drilling grants received in relation to exploration assets		-	98,403
Receipt of proceeds on sale of Hengda Deposit		771,893	-
Proceeds on sale of discontinued operations		1,000,000	-
Receipt of security deposit refund		-	37,529
Payments for security deposits		-	(1,449)
Net cash used in investing activities		(357,133)	(1,832,901)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		2,304,500	3,591,055
Share issue costs		(110,000)	(178,988)
Net cash provided by financing activities		2,194,500	3,412,067
Net increase/ (decrease) in cash and cash equivalents		856,492	522,031
Cash and cash equivalents at the beginning of the year		1,000,320	478,289
Net foreign exchange differences		-	-
Cash and cash equivalents at the end of the year	8	1,856,812	1,000,320

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

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

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

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

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

Authorisation of financial report
The financial report was authorised for issue on 28 September 2017.

Basis of preparation

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

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

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

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

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

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

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

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

Key judgements – Exploration & evaluation expenditure
The Consolidated Entity performs regular reviews on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. These reviews are based on detailed surveys and analysis of drilling results performed to balance date. The Consolidated Entity has certain exploration tenements that are due to expire as at 30 June 2017. The Consolidated Entity has lodged applications for renewal within the required timelines and expects the licenses to be renewed in due course. Management has therefore continued to capitalise exploration and evaluation costs on the basis that they expect the application for the rights to tenure to be granted. Should the renewals not be granted this may impact the carrying value of exploration and evaluation assets recognised in the balance sheet.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Going Concern
The Consolidated Entity incurred a net loss of $1,696,620 for the year ended 30 June 2017. As at 30 June 2017 the Consolidated Entity had cash reserves of $1,856,812, net current assets of $1,644,761 and net assets of $11,528,308. The Consolidated Entity has not generated revenues from operations during the year.

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

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

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

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

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

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

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

Accounting policies

(a) Principles of Consolidation

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

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Principles of Consolidation (continued)

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

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

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

(b) Income Tax

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

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

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

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

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

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

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Exploration and Evaluation Assets

Exploration costs

Following tenement acquisition, exploration and evaluation expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made.

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

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

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

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

(d) Leases

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

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

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

(e) Financial Instruments

Recognition and initial measurement

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

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

Classification and subsequent measurement

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

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

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

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

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

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

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

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

(iv) Available-for-sale financial assets

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

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

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

(v) Financial liabilities

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

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

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

(e) Financial Instruments (continued)

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

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

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

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

(f) Impairment of Non-financial Assets

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

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

(g) Employee Entitlements

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Cash and Cash Equivalents

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

(i) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable.

Interest revenue is recognised using the effective interest rate method.

(j) Goods and Services Tax (GST)

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

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

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

(k) Share Capital

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

(l) Earnings per Share

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

(m) Comparative Figures

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

(n) Convertible notes

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

(o) Government grants

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Derivatives and hedging activities

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

(q) New Accounting Standards and Interpretations

The Consolidated Entity adopted all new Accounting Standards and Interpretations effective for the year ended 30 June 2017. There were no material impacts on the financial statements of the Consolidated Entity as a result of adopting these standards.

(r) New Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods. The Consolidated Entity has decided against early adoption of these standards. The Consolidated Entity's assessment of the impact of these new standards and interpretations is set out below:

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

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

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

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

NOTE 2 DISCONTINUED OPERATIONS

(a) Description

On 11 January 2017 the Group disposed of its wholly owned subsidiary, Opirus Minerals Pty Ltd and its controlled entity Won Kwang Inc, incorporated in South Korea to Battery Minerals Resources Limited. The total consideration paid to the Group on this disposal was $1,200,000 represented by $1,000,000 cash and 2 million shares in Battery Minerals Resources Limited valued at $200,000.

Financial information relating to the assets sold for the period to the date of disposal is set out below.

(b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the period ended 11 January 2017.

	Period ended 11 January 2017 $	Financial Year 2016 $
Revenue	179	809
Operating expenses	(47,354)	(184,257)
Exploration and Expenditure written-off	(105,768)	(1,000,000)
Loss before income tax	(152,943)	(1,183,448)
Income tax	-	-
Loss after income tax of discontinued operations	(152,943)	(1,183,448)
Loss on disposal before income tax	-	-
Income tax expense	-	-
Loss on disposal after income tax	-	-
Loss from discontinued operation	(152,943)	(1,183,448)

	Period ended 11 January 2017 $	Financial Year 2016 $
Net cash outflow from ordinary activities	(43,234)	(193,445)
Net cash outflow from investing activities	(34,445)	(76,443)
Net cash outflow from financing activities	-	-
Net decrease in cash generated by the discontinued operations	(77,679)	(269,888)

(c) Carrying amounts of assets and liabilities

The carrying amounts of assets and liabilities as at 11 January 2017 were:

	11 January 2017 $
Cash and cash equivalents	692
Trade and other receivables	284
Security deposits	11,442
Plant and equipment	8,402
Exploration and evaluation assets	1,135,909
Total Assets	1,156,729
Trade and other liabilities	-
Foreign Exchange Reserve	(16,729)
Total Liabilities and Reserves	(16,729)
Net Assets	1,140,000

NOTE 2 DISCONTINUED OPERATIONS (continued)

(d) Details of the sale of the discontinued operations

	11 January 2017 $
Consideration received	
Cash	1,000,000
Available-for-sale financial asset	200,000
Total disposal consideration	1,200,000
Costs associated with sale	60,000
Carrying amount of net assets sold	1,140,000
Loss on disposal before income tax	-
Income tax expense	-
Loss on disposal after income tax	-

	2017 $	2016 $
NOTE 3 LOSS BEFORE INCOME TAX		
Loss before income tax includes the following specific expenses / (income)		
Defined contributions superannuation expense – related party	57,776	53,041
Rental expense relating to operating leases - Minimum lease payments	17,400	11,946
Foreign exchange (gains) / losses (a)	93,136	99,879
Depreciation and amortisation	7,509	35,952
Impairment of Exploration costs	333,739	384,321
Provision for non-recovery of Hengda Deposit (b)	(905,079)	99,879

(a) Unrealised foreign exchange gain

During a prior financial year the company paid a US$2 million deposit in respect of the Hengda Transaction (refer (b) below). This deposit was sold on 30 June 2017 and was revalued at the date of sale at the relevant foreign exchange rate resulting in an unrealised foreign exchange gain. Refer (b) below for further details on the Hengda receivable.

(b) Provision for non-recovery of Hengda Deposit

In July 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.

Since then, Hexagon has actively pursued the potential recovery of the Hengda Deposit as 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.

Prior to the end of the year, Hexagon executed and settled the sale of the Hengda debt at a discounted value of $811,942 and following this sale has no further involvement or claims in respect of the Hengda Debt.

Hexagon had fully provided for the non-recovery of the Hengda Debt at 30 June 2016 and the sale of the debt has resulted in a reduction in the previously recorded provision for non-recovery of the Hengda Deposit to the value of $905,079 for the year, which combined with the foreign exchange loss recognised at settlement date of $93,136, accounts for the $811,942 proceeds on sale.

	2017 $	2016 $
NOTE 4 INCOME TAX		
Accounting profit/(loss) before income tax	(1,696,620)	(2,570,062)
Tax at the Australian tax rate of 27.5% (2016: 30%)	466,570	771,019
Non-deductible expenses	(62,397)	(48,836)
Impairment of exploration asset	-	(300,000)
Deferred tax assets not bought to account	(507,548)	(422,183)
Restatement to concessional corporate tax rate	103,375	-
Income tax refund	-	-
Recognised deferred tax assets		
Unused tax losses	2,881,835	1,978,330
Deductible temporary differences	535,360	1,189,577
	3,417,195	3,167,908
Recognised deferred tax liabilities		
Assessable temporary differences	3,417,195	3,167,908
	3,417,195	3,167,908
Net deferred tax recognised		
Unrecognised temporary differences and tax losses		
Unused tax losses and temporary differences for which no deferred tax asset has been recognised	1,930,250	2,164,347

	2017	2016
	$	$

NOTE 5 AUDITOR'S REMUNERATION

BDO Audit Pty Ltd		
Remuneration paid or payable for:		
- auditing and reviewing the financial reports	44,500	32,266
Non audit services:		
- Independent Accountants Report for prospectus – BDO Audit Pty Ltd	-	15,000
- Technical advice including R&D claims – BDO Audit Pty Ltd	13,000	13,000
- Taxation services – BDO Audit Pty Ltd	18,154	16,345
Total auditors' remuneration	75,654	76,611

NOTE 6 LOSS PER SHARE (LPS)

Loss from continuing operations	(1,543,677)	(1,386,614)
Loss from discontinued operations	(152,943)	(1,183,448)
Total loss for the year	(1,696,620)	(2,570,062)

	2017	2016
	#	#
Weighted average number of ordinary shares outstanding during the year	242,662,398	216,635,509
Weighted average number of dilutive instruments	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating LPS and dilutive LPS	242,662,398	216,635,509

NOTE 7 DIVIDENDS & FRANKING CREDITS

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

NOTE 8 CASH & CASH EQUIVALENTS

Cash on hand and at bank	1,856,812	1,000,320

NOTE 9 TRADE & OTHER RECEIVABLES

Current		
Other receivables	127,274	22,100
Hengda Deposit	-	2,693,241
Provision for non-recovery of Hengda Deposit (refer note 3 (b))	-	(2,693,241)
	127,274	22,100

	2017 $	2016 $

NOTE 10 OTHER ASSETS

Prepayments – Operations	5,815	6,535

NOTE 11 AVAILABLE-FOR-SALE FINANCIAL ASSETS

On 11 January 2017 the Group disposed of its wholly owned subsidiary, Opirus Minerals Pty Ltd and its controlled entity Won Kwang Inc, incorporated in South Korea to Battery Minerals Resources Limited. The total consideration paid to the Group on this disposal was $1,200,000 represented by $1,000,000 cash and 2 million shares in Battery Minerals Resources Limited valued at $200,000. These shares represent Available-for-sale Financial Assets.

	2017 $	2016 $
Unlisted ordinary shares	1,300,052	-

Reconciliation
Reconciliation of the fair values at the beginning and end of the current financial year are set out below:

Opening fair value	-	-
Additions (refer to Note 2(a))	200,000	-
Revaluation increment	1,100,052	-
	1,300,052	-

	2017	2016
	$	$

NOTE 12 EXPLORATION AND EVALUATION ASSETS

Exploration expenditure capitalised		
Balance at the beginning of the year	8,036,814	7,587,412
Exploration expenditure during the year	2,683,996	1,833,723
Assets disposed of (refer to Note 2)	(1,216,677)	-
Impairment of exploration assets	(333,739)	(1,384,321)
Research and development grants relating to exploration expenditure	(602,000)	-
	8,568,394	8,036,814

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

	2017	2016
	$	$

NOTE 13 TRADE & OTHER PAYABLES

Trade & other payables		
Trade payables	218,030	49,740
Derivative liability (a)	28,029	171,788
Other payables and accrued expenses	78,458	67,986
	324,517	289,514

(a) In March 2015, the Company issued 3,000,000 unlisted options (Lind Options) as part of the settlement for the issue of convertible notes, which have all since been repaid. The options were issued 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.

The Lind Options were initially recognised at their fair value of $228,786 in accordance with the accounting policy in Note 1 (n). During the year a fair value gain on Lind options derivative liability of $143,759 (2016: loss $128,182) has been recognised in profit or loss resulting in a closing value of $28,029 as at 30 June 2017 (2016: $171,788).

NOTE 14 SHARE CAPITAL

	2017	2016
Fully paid ordinary shares	51,132,064	48,937,564

Ordinary Shares

	2017	2016	2017	2016
	#	#	$	$
At the beginning of the year	233,829,247	171,211,687	48,937,564	44,556,723
Share issued under rights issue at $0.06 per share [1]	-	34,242,560	-	2,054,553
Share placement at $0.08 per share [2]	-	16,662,500	-	1,333,000
Exercise of options [3]	2,537,500	1,712,500	304,500	203,500
Shares issued on conversion of Tranche 2 Performance Rights [4]	-	10,000,000	-	937,500
Share placement at $0.20 per share [5]	10,000,000	-	2,000,000	-
Share issue expenses		-	(110,000)	(147,712)
At reporting date	246,366,747	233,829,247	51,132,064	48,937,564

1 2016: 34,242,560 ordinary fully paid shares were issued at $0.06 per share through a rights issue.

2 2016: 16,662,500 ordinary fully paid shares were issued at $0.08 per share through a share placement. One free option exercisable at $0.12 each expiring on 30 September 2017 was issued for every two shares allotted in the share placement, refer below for further details.

3 2016: 1,662,500 ordinary fully paid shares were issued at $0.12 on the exercise of options and 50,000 ordinary fully paid shares were issued at $0.08 on the exercise of options.
2017: 2,537,500 ordinary fully paid shares were issued at $0.12 on the exercise of options.

4 2016: 10,000,000 ordinary fully paid shares were issued on conversion of Tranche 2 Performance Rights.

5 2017: 10,000,000 ordinary fully paid shares were issued at $0.20 per share through a share placement.

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

Options

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

2017			Movements					
Grant Date	Expiry Date	Exercise Price	1 July 2016	Issued	Exercised	Expired/ Lapsed	30 June 2017	Exercisable
3 March 2015	3 March 2018	$0.16162	3,000,000	-	-	-	3,000,000	3,000,000
27 November 2016	31 December 2016 (1)	$0.08	3,000,000	-	-	(3,000,000)	-	-
14 March 2016	30 September 2017	$0.12	6,668,750	-	(2,537,500)	-	4,131,250	4,131,250
7 June 2016	11 November 2017	$0.08	450,000	-	-	(150,000)	300,000	300,000
7 October 2016	30 June 2018 (1)	$0.133	-	5,000,000	-	(1,750,000)	3,250,000	3,250,000
7 October 2016	30 June 2018 (1)	$0.133	-	2,250,000	-	(1,000,000)	1,250,000	1,250,000
22 December 2016	16 December 2019 (2)	$0.28	-	2,000,000	-	-	2,000,000	2,000,000
22 December 2016	16 December 2019 (2)	$0.40	-	2,000,000	-	-	2,000,000	2,000,000
22 December 2016	16 December 2019 (2)	$0.50	-	2,000,000	-	-	2,000,000	2,000,000
	TOTAL		13,118,750	13,250,000	(2,537,500)	(5,900,000)	17,931,250	17,931,250
	Weighted average exercise price		$0.12	$0.25	$0.12	$0.10	$0.22	$0.22

(1) Subject to vesting conditions

(2) 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).

Refer Note 18 for further details.

NOTE 14 SHARE CAPITAL (continued)

Options (continued)

2016			Movements					
Grant date	Expiry Date	Exercise Price	1 July 2015	Issued	Exercised	Expired	30 June 2016	Exercisable
3 December 2014	15 August 2015	$0.15	4,387,835	-	-	(4,387,835)	-	-
30 March 2015	30 June 2016	$0.20	5,250,000	-	-	(5,250,000)	-	-
3 March 2015	3 March 2018	$0.16162	3,000,000	-	-	-	3,000,000	3,000,000
27 November 2016	31 December 2016	$0.08	-	3,000,000	-	-	3,000,000	3,000,000
14 March 2016	30 September 2017	$0.12	-	8,331,250	(1,662,500)	-	6,668,750	6,668,750
7 June 2016	11 November 2017	$0.08	-	500,000	(50,000)	-	450,000	450,000
	TOTAL		12,637,835	11,831,250	(1,712,500)	(9,637,835)	13,118,750	13,118,750
	Weighted average exercise price		$0.17	$0.11	$0.12	$0.18	$0.12	$0.12

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.25 years (2016: 1.18 years).

	2017	2016
	$	$

NOTE 15 RESERVES

Options reserve	1,255,400	88,628
Available-for-sale reserve	1,100,052	-
Performance rights reserve	-	-
Foreign currency translation reserve	(30,920)	(14,520)
	2,324,532	74,108

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

Options reserve movements during the year		
Opening balance	88,628	62,143
Issue of options during year	1,166,772	26,485
Closing balance	1,255,400	88,628

Available-for-sale reserve
The reserve is used to recognise increments and decrements in the fair value of available-for-sale financial assets.

Available-for-sale reserve movements during the year		
Opening balance	-	-
Gain on the revaluation of available-for-sale financial assets	1,100,052	-
Closing balance	1,100,052	-

NOTE 15 RESERVES (continued)

Foreign currency translation reserve
The 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.

Foreign currency translation reserve movements during the year		
Opening balance	(14,520)	(18,049)
Currency translation differences arising during the year	(16,400)	3,529
Closing balance	(30,920)	(14,520)

Performance rights reserve
The performance rights reserve was used to record the value of performance rights granted and exercised. There were no performance rights on issue at 30 June 2017 and 30 June 2016.

Performance Rights

	2017	2016	2017	2016
	#	#	$	$
Opening balance	-	10,000,000	-	937,500
Exercise of Tranche 2 Rights	-	(10,000,000)	-	(937,500)
At reporting date	-	-	-	-

	2017	2016
	$	$

NOTE 16 CASH FLOW INFORMATION

Reconciliation of loss after income tax to net cash outflow from operating activities		
Loss after income tax	(1,696,620)	(2,570,062)
Non-cash items in profit/(loss) after income tax		
Depreciation	7,509	36,323
Unrealised FX loss (gain) on Hengda Deposit	93,136	(99,879)
Provision/ (reversal) for non-recovery of Hengda Deposit	(905,079)	99,879
Fair value (gain)/ loss on Lind options derivative liability	(143,759)	128,182
Profit on disposal of fixed asset	(23,436)	-
Loss from discontinued operations	152,943	-
Impairment of exploration assets	333,739	1,384,321
Share based payments	1,166,773	26,485
Change in operating assets and liabilities		
(Increase)/Decrease in receivables	(41,688)	29,646
(Increase) in other assets	720	(4,149)
Increase/(Decrease) in trade payables and accruals	94,210	(90,485)
Increase/(Decrease) in employee entitlements	(19,322)	2,604
Net cash outflow from operating activities	(980,875)	(1,057,135)

Non-cash investing and financing transactions

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

Refer to note 15 for further details.

NOTE 17 SHARE BASED PAYMENTS

Set out below are details on the Share Based Payments that occurred during the year.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, based on an estimate of the number of options likely to vest. The fair value of the equity-settled share options is estimated as at the date of grant using a binomial option pricing model and a Black-Scholes model taking into account the terms and conditions upon which the options were granted.

Fair value of options granted

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

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

Employee Options

The following table lists the inputs to the binomial option pricing model used in the valuation of the employee options granted in 2017 and 2016:

	2017	2016
Expected volatility	100%	80% - 100%
Risk-free rate average	1.60%	1.60% - 2.10%
Expected life (years)	1.72 years	1.5 years
Dividend yield	nil	nil
Weighted average exercise price ($)	$0.25	$0.08
Share price at grant date ($)	$0.24	$0.055 - $0.175

Vesting conditions

Options issued on 30 November 2016, are exercisable at 13.3 cents each and expire on 30 June 2018, subject to vesting condition of the Company securing finance for development of the McIntosh Project to production.

Options issued on 30 November 2016, are exercisable at 13.3 cents each and expire on 30 June 2018, subject to vesting condition of the Company volume weighted average share price on ASX is above 30 cents for at least 20 consecutive trading days.

Lead manager options

The following table lists the inputs to the Black-Scholes model used in the valuation of the consultant options granted in 2017 and 2016:

	2017	2016
Expected volatility	80%	-
Risk-free rate average	2.60%	-
Expected life (years)	3.0 years	-
Dividend yield	nil	-
Exercise price ($)	$0.28 - $0.50	-
Share price at grant date ($)	$0.27	-

The lead manager options were issued in advance for capital raising services. As at 30 June 2017 the capital raising has not yet occurred and as a result the full valuation of these has been expensed in the 30 June 2017 year.

NOTE 17 SHARE BASED PAYMENTS (continued)

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employment benefit expenses and lead manager expenses were as follows:

	2017 $	2016 $
Options issues to directors, employees and consultants	445,654	26,485
Options issued to lead manager	721,119	-
	1,166,773	**26,485**

These amounts are disclosed as Share based payment expenses in the consolidated statement of comprehensive income.

NOTE 18 RELATED PARTY AND KEY MANAGEMENT PERSONNEL

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

Key management personnel compensation

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

Summary	2017 $	2016 $
Short-term benefits	473,694	395,450
Long-term benefits	46,654	-
Post-employment benefits	32,895	27,095
Termination benefits	-	-
Share-based payments	420,548	19,613
	973,791	442,158

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

Transactions with Related Parties

Drumrock Capital, an entity associated with Charles Whitfield, provided consulting services totaling $14,160 (2016: $Nil) to the Company during the year.

NOTE 19 FINANCIAL RISK MANAGEMENT

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

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

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

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

NOTE 19 FINANCIAL RISK MANAGEMENT (continued)

(a) Credit Risk

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

The maximum exposure to credit risk at balance date in relation to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. There is no collateral held as security at 30 June 2017.

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

	2016 $	2015 $
Maximum exposure to credit risk		
Non-trade receivables	138,724	45,241
Hengda Deposit – fully impaired	-	-
Cash and cash equivalents	1,856,812	1,000,320
	1,995,536	1,045,561

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

	2016	2015
Ageing of receivables		
Not past due	138,824	45,241
Past due 0-90 days	-	-
Past due >90 days	-	2,693,241
Impaired	-	(2,693,241)
	138,724	45,241

	2016	2015
Movements in the provision for impairment of receivables are as follows:		
At beginning of the year	2,693,241	2,593,362
Provision for impairment recognised during the year	(905,079)	99,879
Receivables written off during the year as uncollectible	1,788,162	-
Unused amount reversed		-
At end of the year	-	2,693,241

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

Credit risk - Cash and cash equivalents

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

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

NOTE 19 FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk

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

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

The table below reflects the contractual maturity of fixed and floating rate financial liabilities. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2017. The amounts disclosed represent undiscounted cash flows.

	2017	2016
	$	$
The remaining contractual maturities of the financial liabilities are:		
Less than one year		
Trade and other payables	324,517	289,514

Terms and conditions relating to the above financial instruments:

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

(c) Market Risk

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

Interest rate risk

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

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

At 30 June 2017, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgments of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2017 $	2016 $	2017 $	2016 $
+1.00% (100 basis points)	18,568	10,003	18,568	10,003
-1.00% (100 basis points)	(18,568)	(10,003)	(18,568)	(10,003)

NOTE 19 FINANCIAL RISK MANAGEMENT (continued)

Foreign Currency Risk

Foreign currency risk arises as a result of having assets/cash flows denominated in a currency other than the functional currency in which they are reported. At 30 June 2017, the Consolidated Entity had the following exposure to foreign currency:

	2017 $	2016 $
Financial Assets:		
Cash and cash equivalents – South Korean Won	-	25,070
Trade and other receivables – US Dollar (fully impaired)	-	2,693,241
Trade and other receivables – South Korean Won	-	381
	-	2,718,692
Financial Liabilities:		
Trade and other payables – South Korean Won	-	10,873
Trade and other payables – USD	-	-
	-	10,873

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

Judgments of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2017 $	2016 $	2017 $	2016 $
+10.00%	-	(270,782)	-	(270,782)
-10.00%	-	270,782	-	270,782

(d) Capital Risk Management

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

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

NOTE 20 SEGMENT REPORTING

Reportable Segments

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

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

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

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

Segment Revenue and Results

30 June 2017	South Korea $	Australia $	Consolidated $
Revenue:			
Revenue	-	10,213	10,213
Other income	-	-	-
Expenses:	-		
Expenses	-	(1,553,890)	(1,553,890)
Loss on discontinued operations	(152,943)	-	(152,943)
Segment result	(152,943)	(1,543,677)	(1,696,620)
Income tax	-	-	-
Net Loss	(152,943)	(1,543,677)	(1,696,620)
Non-cash items included in loss above:			
Depreciation and amortisation	-	7,509	7,509
Provision for non-recovery of Hengda Deposit	-	(905,079)	(905,079)
Fair value gain on Lind options derivative liability	-	143,759	143,759
Assets:			
Segment assets	-	11,873,448	11,873,448
Unallocated corporate assets	-	-	-
Consolidated Total Assets	-	11,873,448	11,873,448
Liabilities:			
Segment liabilities	-	345,140	345,140
Unallocated corporate liabilities	-	-	-
Consolidated Total Liabilities	-	345,140	345,140
Segment acquisitions:			
Acquisition of plant and equipment	-	1,554	1,554
Capitalised exploration expenditure	-	2,683,996	2,683,996
Details on non-current assets:			
Plant and equipment	-	3,651	3,651
Exploration expenditure	-	8,568,394	8,568,394

NOTE 20 SEGMENT REPORTING (continued)

Segment Revenue and Results

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

NOTE 21 FAIR VALUE MEASUREMENT

The following assets and liabilities are recognised and measured at fair value on a recurring basis:

- Available-for-Sale financial assets
- Derivative liability

There are various methods used in estimating the fair value of assets and liabilities. The methods comprise:

Level 1 the fair value is calculated using quoted prices in active markets.
Level 2 the fair value is estimated using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3 the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

Due to their short-term nature, the net fair values of other financial assets and liabilities approximate their carrying value as disclosed in the statement of financial position. No financial assets or liabilities are readily traded on organised markets in standardised form.

	Level 1 $	Level 2 $	Level 3 $	Total $
30 June 2017				
Assets				
Available-for-Sale financial assets	-	1,300,052	-	1,300,052
	-	**1,300,052**	**-**	**1,300,052**
Liabilities				
Derivative liability	-	-	28,029	28,029
	-	**-**	**28,029**	**28,029**
30 June 2016				
Assets				
Available-for-Sale financial assets	-	-	-	-
	-	**-**	**-**	**-**
Liabilities				
Derivative liability	-	-	171,788	171,788
	-	**-**	**171,788**	**171,788**

There were no transfers during the period between Level 1 and Level 2 for recurring fair value measurements.

Disclosed fair values
Due to their short-term nature, the carrying amount of trade receivables and payables are assumed to approximate their fair values.

Description	Valuation approach	Unobservable inputs	Range of inputs	Relationship between unobservable inputs and fair value
Derivative liability	Black-Scholes pricing model	Risk free rate	2.6%	The higher the risk free rate, volatility, spot price of HXG share and remaining life the higher the fair value.
		Volatility	100%	
		Spot price of HXG share – 30 June	$0.09	
		Remaining life of option	6 months	

NOTE 21 FAIR VALUE MEASUREMENT (continued)

The fair value of derivative liability is determined using the Black-Scholes pricing model. The volatility input in the pricing model is determined by the historical volatility of the Company's share price over a similar period to the exercise period.

The fair value of the Available-for-Sale financial assets is determined based on the recent price that Battery Minerals Resources Limited raised capital.

Reconciliation of Level 3 fair value movements

	2017 $	2016 $
Balance at the beginning of the year	171,788	43,606
Fair value movements	(143,759)	128,182
	28,029	171,788

NOTE 22 COMMITMENTS

Operating leases		
Minimum lease payments:		
Payable within one year	7,909	8,819
Payable within one year and five years	-	-
Payable later than five years	-	-
Total contracted at balance date	7,909	8,819

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

Future exploration

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

	2017 $	2016 $
Exploration obligations to be undertaken:		
Payable within one year	872,520	888,520
Payable between one year and five years	1,563,525	2,308,138
	1,436,045	3,196,658

NOTE 23 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

NOTE 24 EVENTS AFTER BALANCE SHEET DATE

There have been no significant events after balance sheet date.

NOTE 25 PARENT ENTITY INFORMATION

	2017 $	2016 $

The Parent Entity of the Consolidated Entity is Hexagon Resources Limited.

Parent Entity Financial Information		
Current assets	1,989,901	1,002,054
Non-current assets	9,883,547	8,032,961
Total assets	11,873,448	9,035,015
Current liabilities	345,140	318,586
Non-current liabilities	-	-
Total liabilities	345,140	318,586
Net assets	11,528,308	8,716,429
Issued capital	51,132,064	48,937,564
Reserves	2,355,452	88,628
Accumulated losses	(41,959,208)	(40,309,763)
Total equity	11,528,308	8,716,429
Loss after income tax	(1,649,445)	(1,946,042)
Other comprehensive income	1,100,052	-
Total comprehensive income	(549,393)	(1,946,042)

Commitments, Contingencies and Guarantees of the Parent Entity

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

The Parent Entity's exposure to contingent liabilities is detailed in Note 24. The Parent Entity has no contingent assets or guarantees at balance date.

Controlled Entities of the Parent Entity	Percentage Owned		Country of Incorporation
	2017 %	2016 %	
Halls Creek Resources Pty Ltd *(Previously Lamboo Resources No.1 Pty Ltd)*	100%	100%	Australia
McIntosh Resources Pty Ltd (*Previously McKintosh Resources Pty Ltd*)	100%	100%	Australia
Advanced Particle Group Pty Ltd	100%	100%	Australia
Hexagon Graphite Pty Ltd	100%	100%	Australia
Hexagon Graphene Pty Ltd	100%	100%	Australia
Opirus Minerals Pty Ltd	0%	100%	Australia
Won Kwang Inc	0%	100%	South Korea

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements, comprising the consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity, accompanying notes, are in accordance with the *Corporations Act 2001* and:
   a. comply with Accounting Standards and the *Corporations Regulations 2001*; and
   b. give a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date.
2. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
4. The remuneration disclosures included in paragraphs pages 26 to 32 of the directors' report (as part of audited Remuneration Report), for the year ended 30 June 2017, comply with section 300A of the *Corporations Act 2001.*
5. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

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

Michael Rosenstreich
Director
28 September 2017

ADDITIONAL STOCK EXCHANGE INFORMATION

DISTRIBUTION OF NUMBER OF HOLDERS OF EQUITY SECURITIES AS AT 27 SEPTEMBER 2017

Number of Securities Held	Ordinary shares fully paid No. of holders
1 to 1,000	338
1,001 to 5,000	304
5,001 to 10,000	305
10,001 to 100,000	692
100,001 and over	274
	1,913

Number of shareholders holding less than a marketable parcel of shares	583

TWENTY LARGEST HOLDERS OF EACH QUOTED SECURITY

Rank	Name	Balance	% Held
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	14,565,681	5.9
2	CITICORP NOMINEES PTY LIMITED	10,419,837	4.2
3	INVESTORLINK GROUP LIMITED	9,294,505	3.8
4	FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	8,816,346	3.6
5	J P MORGAN NOMINEES AUSTRALIA LIMITED	7,083,965	2.9
6	MR ROBERT SIMEON LORD	7,000,000	2.8
7	PATHFINDER EXPLORATION PTY LTD	6,990,301	2.8
8	UBS NOMINEES PTY LTD	6,174,450	2.5
9	ONE MANAGED INVESTMENT FUNDS LIMITED <TECHNICAL INVESTING ABSOLUTE RETURN A/C>	4,409,333	1.8
10	JOWJIN PTY LTD <KEERATI A/C>	4,006,000	1.6
11	CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	3,743,920	1.5
12	MR ANTHONY LIONEL PATTERSON <PATTERSON FAMILY A/C>	3,366,666	1.4
13	MR RICHARD HOPETOUN BITCON	3,100,000	1.3
14	NORVALE PTY LTD	3,040,738	1.2
15	PERSHING AUSTRALIA NOMINEES PTY LTD <PHILLIP SECURITIES (HK) A/C>	2,876,204	1.2
16	QUAM SECURITIES COMPANY LIMITED	2,658,169	1.1
17	WAIRAHI HOLDINGS LIMITED	2,600,000	1.1
18	MR ANDREW MURRAY GREGOR	2,552,400	1.0
19	SPORTPIX PTY LTD <SPORTPIX SUPER FUND ACCOUNT>	2,526,000	1.0
20	MRS MIN YOUNG KANG	2,492,643	1.0
		107,717,158	43.7

VOTING RIGHTS

All ordinary shares carry one vote per share without restriction.

SUBSTANTIAL SHAREHOLDERS

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

Name of Shareholder	Ordinary Shares
Nil	-

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INDEPENDENT AUDITOR'S REPORT

To the members of Hexagon Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Hexagon Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated balance sheet as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty related 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 opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Carrying value of exploration and evaluation assets

Key audit matter	***How the matter was addressed in our audit***
Refer to note 12 in the financial report The Group carries exploration and evaluation assets totalling $8,568,394 as at 30 June 2017 in relation to the application of the Group's accounting policy for exploration and evaluation assets. The recoverability of exploration and evaluation asset is a key audit matter due to: • The significance of the total balance (72% of total assets); and • The level of procedures undertaken to evaluate management's application of the requirements of AASB 6 *Exploration for and Evaluation of Mineral Resources* ('AASB 6') in light of any indicators of impairment that may be present.	Our procedures included, but were not limited to the following: • Obtaining evidence that the Group has valid rights to explore in the areas represented by the capitalised exploration and evaluation expenditure by obtaining supporting documentation such as license agreements and also considering whether the Group maintains the tenements in good standing • Making enquiries of management with respect to the status of ongoing exploration programs in the respective areas of interest and assessing the Group's cashflow budget for the level of budgeted spend on exploration projects and held discussions with directors of the Group as to their intentions and strategy • Enquiring of management, reviewing ASX announcements and reviewing directors' minutes to ensure that the Group had not decided to discontinue activities in any applicable areas of interest and to assess whether there are any other facts or circumstances that existed to indicate impairment testing was required

Accounting for the disposal of subsidiaries

Key audit matter	*How the matter was addressed in our audit*
As disclosed in note 2 in the financial report, the Group disposed of its interests in its controlled entities, Opirus Minerals Pty Ltd and Won Kwang Inc. on 11 January 2017. The disposal is a key audit matter due to: • The significance of the total balance disposed; and • The level of procedures undertaken to evaluate management's application of the requirements of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* ('AASB 5').	Our procedures included, but were not limited to the following: • Reading key executed transaction documents to understand the key terms and conditions of the transaction • Evaluating management's assessment of the consideration received for the disposal, the carrying amount of the net assets sold, and the loss on disposal • Assessing the appropriateness of the Group's disclosures in respect of the disposal including the disclosures related to discontinued operations and the restatement of comparative Consolidated Statement of Comprehensive Income

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 26 to 32 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Hexagon Resources Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit Pty Ltd

BDO
TMann

T R Mann
Director

Brisbane, 28 September 2017