HEXAGON
resources limited

ANNUAL REPORT 2017 2018

ABN 27 099 098 192

CORPORATE DIRECTORY

Board of Directors

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

Company Secretary

Rowan Caren

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CHAIRMAN'S LETTER

Dear Fellow shareholders,

The last twelve months has seen enormous advances in the execution of our strategy to create a fully integrated graphite producer and downstream processor. Furthermore, we have also built on our technical strengths and in so doing developed new opportunities for Hexagon.

In March 2018, Hexagon secured a transformational financing deal with Mineral Resources Limited (ASX: MIN: MRL) for the development of its "Stage 1" (mining & concentrate production). Post a positive Feasibility Study, this deal sees the McIntosh project fully financed through to commercial production thereby financing not only the project capital cost but also the commissioning and ramp up costs of bringing the project into production. This is a huge de-risking factor for shareholders and allows a significantly accelerated time line over what the Company would have been able to achieve by itself. Since approving the transaction with Mineral Resources, considerable work has been undertaken with progress in both resource upgrading and the mining approval process, both of which we look forward to updating shareholders on in due course.

Results from the comprehensive material test work campaign have been transformational in terms of the market opportunities that are now open to the Company. As our ASX releases have outlined, the sample material from McIntosh has performed exceptionally well in both battery test-work and expandability tests, however it is the discovery of the material's highly crystalline nature (categorised as Highly Ordered Pyrolytic Graphite) which creates the most interesting market opportunities as it puts the company's products into categories which are currently supplied by very expensive synthetic graphite.

To take advantage of this market opportunity, the Company has pushed ahead with the strategy of further downstream processing of our flake concentrate "Stage 2" (purification and processing). To progress this venture, the Company successfully raised seven million dollars in June which will be used to progress the pilot work and feasibility study for the thermal purification process of our graphite. This processing will mean that Hexagon can capture more of the value from the special attributes of the McIntosh material which are important to produce a concentrate suitable for advanced technical applications.

The graphite market is attractive because of its non-commoditised nature, but in order to take advantage of this, the company needs to have a deep and current understanding of the market opportunities. The current management team has focused on building considerable in house expertise of the segmentation and diversity of the industry as well as the requirements to service the most attractive applications. To this end Hexagon has formed an extremely high quality executive team with materials and business expertise to be able to execute on the strategy. We have nearly 100 years of graphite experience available to us contributed by our US based technical partners, referred to as "NAmLab" as well as Michael Chan, who joined the Company in May, 2018 as our Chief Development Officer. Michael has a wealth of industrial material expertise most recently in graphite with Syrah Resources. In September we also confirmed the appointment of Lianne Grove as Chief Commercial Officer to be able to deepen our analysis of various market opportunities.

Given all this progress we, like many of our shareholders, are frustrated by the current low market valuation for the Company. Nevertheless, we believe that the strategy of further downstream processing of our flake concentrate in Stage 2 and its enhanced technical attributes make us a very favourable investment proposition and that ultimately this value will be realised.

To accelerate this, the Company released a very comprehensive presentation in September that lays out the detail on the opportunities that are open to the Company and the business case for the strategy that we are pursuing. If you haven't read this I strongly recommend that you do so. The management team and I will be "on the road" visiting both current and potential investors over the coming months, but if we don't have the opportunity to meet, please do feel free to contact either Mike or me with any items that you would like clarity on.

Finally, my thanks and appreciation to Mike and his team for the outstanding results achieved to date and to you, our shareholders, for your continued support of the Company. I look forward to a great year ahead and improved investor sentiment for the sector.

Yours faithfully,

Charles Whitfield
Non-Executive 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 2018.

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 Director	Appointed 22 August 2016
	Non-Executive Chairman	Appointed 5 May 2017
Michael Rosenstreich	Managing Director	Appointed 17 March 2017
Garry Plowright	Non-Executive Director	Appointed 10 June 2015

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 – until 19 August 2016
Special responsibilities	Chairman
Interests in shares and options	Direct – Ordinary shares – 4,126,214 Direct – Unlisted Options – 2,975,000 at 15 cents each expiring 16 October 2020. Vested. Direct – Unlisted Options – 2,975,000 at 17 cents each expiring 16 October 2020. Unvested. Direct – Unlisted Options – 2,975,000 at 20 cents each expiring 16 October 2020. Unvested.

Michael Rosenstreich	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	None.
Former directorships in last 3 years	Emerge Gaming Limited (formerly Arrowhead Resources Limited)
Special responsibilities	Managing Director
Interests in shares and options	Indirect – Ordinary Shares – 1,096,053 (500,000 unvested) Indirect – Unlisted Options – 4,250,000 at 15 cents each expiring 16 October 2020. Vested. Indirect – Unlisted Options – 4,250,000 at 17 cents each expiring 16 October 2020. Unvested. Indirect – Unlisted Options – 4,250,000 at 20 cents each expiring 16 October 2020. Unvested.

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).
Other current directorships	None
Former directorships in last 3 years	None
Special responsibilities	None
Interests in shares and options	Indirect - Ordinary shares – 1,250,000 Indirect – Unlisted Options – 637,500 exercisable at 15 cents each expiring 16 October 2020. Vested. Indirect – Unlisted Options – 637,500 exercisable at 17 cents each expiring 16 October 2020. Unvested. Indirect – Unlisted Options – 637,500 exercisable at 20 cents each expiring 16 October 2020. Unvested.

Company Secretaries

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

Rowan Caren
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 more than 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).

Leni Stanley
Appointed 20 November 2014; Resigned 31 October 2017
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.

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2018 and the number of meetings attended by each Director.

	Meetings attended	Eligible to attend
Charles Whitfield	5	5
Mike Rosenstreich	5	5
Garry Plowright	5	5

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

CORPORATE INFORMATION

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

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

During the course of the year the principal activity of the Consolidated Entity was mineral exploration and development on its projects in Western Australia.

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 2018 (2017: nil) and no dividend is recommended for the current year.

FINANCIAL REVIEW

For the year ended 30 June 2018, the loss for the Consolidated Entity after providing for income tax was $1,305,622 (2017: loss of $1,696,620)

The Company received a research and development income tax concession of $411,423 (2017: $602,000) during the year which was offset against capitalised exploration expenditure.

At 30 June 2018 the Company had 291,783,397 ordinary shares, 24,397,500 options and 3,000,000 performance rights on issue.

The Consolidated Entity's main expenses were as follows:

	2018 $	2017 $
Employee expenses	374,065	303,368
Corporate and administration expenses	1,355,753	729,148
Provision for non-recovery of Hengda Deposit (gain)	-	(905,079)
Share based payment expense	657,507	1,166,773
Impairment of exploration assets	9,297	333,739

Cashflows

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

	2018 $	2017 $
Receipts:		
Proceeds on disposal of discontinued operations	-	1,000,000
Proceeds on disposal of Hendga Deposit receivable	-	771,893
Proceeds from issue of shares	7,685,870	2,304,500
Expenditures:		
Payments relating to the exploration and evaluation of projects	(2,166,252)	(2,729,472)
Payments to suppliers and employees [1]	(1,656,773)	(991,088)

[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".

The major expenses and cash outflows for 2018 financial year were associated with progressing the McIntosh Project.

On 27 March 2018, the company announced it had entered into a binding Heads of Agreement with Mineral Resources Limited (MRL) covering the development of Stage 1 of the McIntosh Graphite Project (Project). Under the agreement, Hexagon and MRL will establish an unincorporated joint venture, with Hexagon and MRL respectively holding a 49% and 51% participating interest. Hexagon shareholders approved the transaction on 14 May 2018 (the Effective Date). Under the arrangement from the Effective Date, MRL will fund all project exploration and development with a view to:

- completing all feasibility studies within 18 months;
- making a decision to mine within 24 months; and
- will target completion of project development activities and commercial production of graphite concentrate within 36 months.

As at the date of this report, the Joint Venture agreement and other related agreements had not been executed and the 51% interest in the McIntosh tenements had not been assigned to the Joint Venture partner. Completion of these activities is expected in the near term.

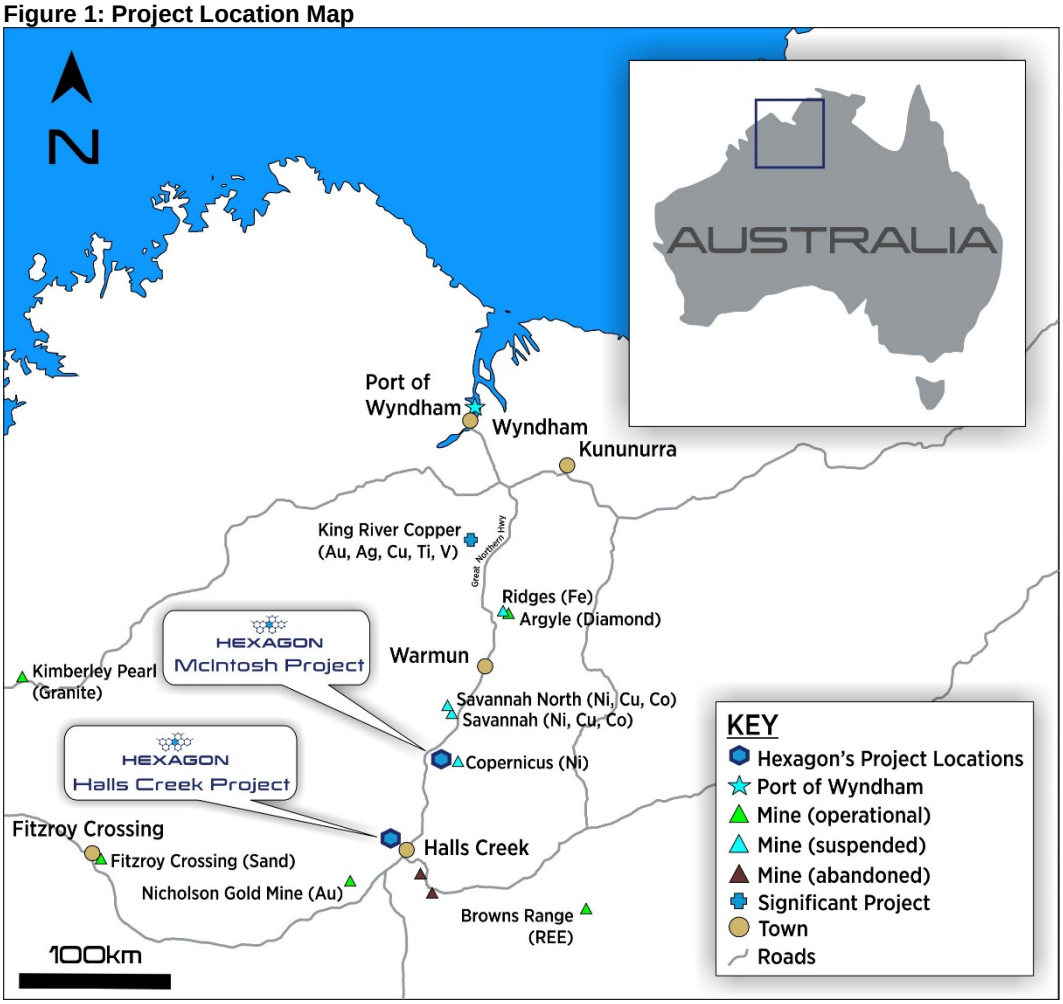
REVIEW OF OPERATIONS

1. McIntosh Graphite Project

The McIntosh flake graphite project is located about 100km north of Halls Creek in the Kimberley region of Western Australia (Figure 1).

A Pre-Feasibility Study (PFS) completed by Hexagon in May 2017 confirmed the technical and financial viability of the project based on a mining and ore processing rate of 2.4Mtpa, at an average diluted grade of 4.3% total graphitic carbon (TGC), to produce approximately 88,000 tonnes per year of high-grade, 98% TGC flake graphite concentrate.

Figure 1: Project Location Map



1.1. Stage 1 – Development to Commercial Production

Agreement with Mineral Resources Limited

Hexagon signed a binding Heads of Agreement with Mineral Resources Limited (MRL) whereby Stage 1 of the McIntosh Project is fully funded, subject to a positive feasibility study outcome, with Hexagon obtaining shareholder approval of the agreement in May 2018.

Hexagon regards MRL as a very credible partner to work with to bring the Stage 1 graphite flake concentrate project into production, providing technical skills, Western Australian experience and financial capacity to de-risk the project. The agreement provided Hexagon with a clear line of sight toward production, sales, cash flow and profitability. Having the project effectively funded through to full commercial development via a project-level joint venture conserves the Company's capital structure and importantly in terms of future business growth enables the Hexagon team to focus on the downstream, "Stage 2" material processing as well as new project opportunities.

Under the agreement, Hexagon and MRL will establish an unincorporated joint venture, with Hexagon retaining a 49% interest in the project. This gives MRL the responsibility to:

- Undertake all feasibility studies within 18 months (from 14 May, 2018)
- Make a decision to mine within 24 months, and
- Target completion of project development activities and commercial production of graphite within 36 months.

MRL will build, own and operate the entire pit to wharf supply chain under a life of mine, mining services agreement. A special purpose company jointly owned 50:50 is planned to act as Marketing Agent for all Stage 1 graphite concentrate products.

MRL approved an initial budget to allow for a comprehensive drilling program of ~12,000 metres, which commenced in August 2018 as the first "on-ground" work by the McIntosh Joint Venture (MJV) for the Feasibility Study (FS). The drilling program is expected to be completed by November 2018.

Key near-term objectives of the MJV include:

- Upgrading the existing Mineral Resource base (21.3 million tonnes grading 4.5% TGC - as reported by HXG in April 2017);
- Advancing negotiations with the Malarngowem Native Title claimant group to enable heritage clearance of new targets and potential operational areas, and granting of current Mining Lease applications;
- Detailed metallurgical test work to enhance and optimise the process flow sheet for the project to ensure maximum possible profitability by preservation of flake size and high graphite recoveries whilst also maintaining high concentrate grades; and
- Develop a "McIntosh" brand to allow marketing of graphite concentrates planned to be produced at McIntosh.

1.2. McIntosh Feasibility Study

Having completed a PFS for McIntosh in May 2017, Hexagon moved ahead with Feasibility Study work aiming to create a more diverse range of premium priced graphite products and implement major improvements to a primary processing circuit, operating and capital costs.

MRL as Manager of the MJV is now responsible for the Feasibility Study with Hexagon contributing to specific aspects such as processing flow sheets and Native Title negotiations. The Feasibility Study is being advanced as quickly as possible and has to be completed by October 2019 in accordance with the binding Heads of Agreement time frames.

- **Metallurgical test work**

  Hexagon continued to build geo-metallurgical models of each of the deposits at McIntosh using assay results and core scanning during the March quarter, integrating various data sets – assay results, geological logging, petrographic analysis and spectral mapping to provide a detailed character assessment to build robust geo-met models. Hexagon will use the models to provide geological and spatial framework for ongoing metallurgical test work.

  As part of work to improve the processing flow sheet used in the May 2017 PFS, four samples from various geo-met domains at the Emperor, Wahoo and Longtom deposits were submitted for ore-sorting test work in the March quarter.

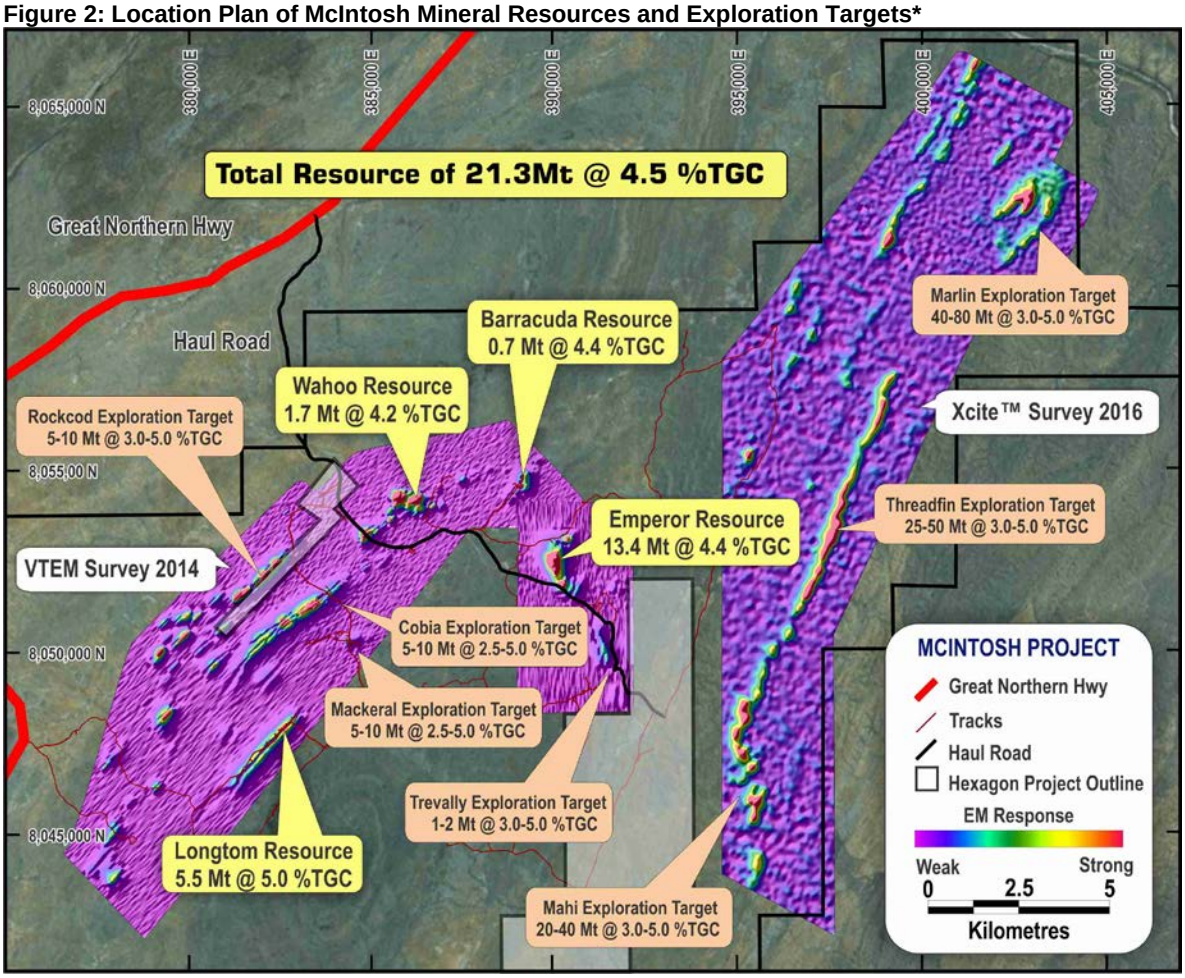
With Hexagon securing a joint venture with MRL in the March quarter, Hexagon shifted its focus on the downstream development or Stage 2 test work comprising piloting and commercialisation of a purification circuit. Hexagon's marketing strategy is to undertake test work to verify that with refining and secondary processing it can meet the exacting specifications for high value applications and provide small samples for the initial phase of potential customers' qualification processes.

1.3. Exploration activities

Early in the year, Hexagon completed a successful drilling program at McIntosh which aimed to extend mineralised trends, generate additional sample material and lead to potential resource upgrades.

Hexagon completed successful ground testing of Electro-magnetic (EM) anomalies in the Eastern Prospects area of the McIntosh Project, which underpin the Company's large-scale Exploration Target estimates as shown in Figure 2.

Figure 2: Location Plan of McIntosh Mineral Resources and Exploration Targets*



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.

Reverse circulation and diamond drilling completed in the first half of the year focused on the Longtom deposit, targeted extensions to the existing resource, based on VTEM anomalism as well as provided diamond core for metallurgical test work. Highlights included:

- Graphite mineralisation intercepted at true widths of up to 10 metres along an additional strike length of 1.4km from current SW edge of the Longtom resource:
- T1GRC260: 16 metres at 4.62% TGC (Total Graphitic Carbon)
- T1GRC261: 14 metres at 6.00% TGC
- T1GRD262: 11 metres at 5.95% TGC
- T1GDD269: 18 metres at 5.74% TGC

The program also reported:

- Positive QAQC analysis between RC and diamond twinned holes; T1GRC270: 27 metres at 5.39% TGC compared to T6GRD272: 26 metres at 5.82% TGC
- Confirmation of high-grade TGC results within current Longtom resource such as T1GDD241: 24 metres at 5.40% TGC
- High grade Ni-Cu rock chip samples returned (1.64% Ni and 5.17% Cu) 1km northeast of Wahoo graphite deposit.

Hexagon also completed two diamond drill holes at Barracuda to provide assays to support a resource category update and material for metallurgical test work.

Hexagon completed a small rock chip sampling program across identified Ni-Cu prospective targets proximal to the Wahoo deposit. The program consisted of three rock chip samples collected proximal to historically recorded high grade Ni-Cu results (1.35% Ni and 3% Cu, WAMEX reports A70864 and A86750) from outcropping gossanous gabbro to replicate these results. Outcropping malachite rock chip samples were collected from the same area and produced analogous results ranging up to 1.64% Ni and 5.17% Cu. Further work is required to understand these results when compared to the underlying geophysical datasets.

From the VTEM survey flown by Hexagon in 2014, a series of strong conductors were modelled. The areas where these conductors are located within mapped metasedimentary rocks were drilled for graphite, resulting in the definition of the Wahoo graphite deposit. For the area immediately to the northwest of Wahoo deposit, the EM anomalies occur within a gabbro intrusive. A rock chip program was completed across the modelled plates with a best returned result of 980ppm Ni and 738ppm Cu from gossanous gabbroic rock.

In the June quarter, as part of the process of transitioning MJV operations to MRL, Hexagon completed a heritage survey across the Mahi Mahi, Threadfin, Marlin prospects and the Emperor deposit to allow ongoing exploration programs for the McIntosh Project and obtained granted Programs of Work (PoW) applications for maiden drilling programs at Mahi Mahi and Threadfin and for additional drilling at Emperor and Wahoo deposits to support potential resource upgrades and provide core for metallurgical test work.

1.4. Project Permitting and Approvals

Hexagon applied for two new mining licences and one miscellaneous licence application covering the four known deposits and areas for proposed infrastructure for development of the McIntosh project. Subsequent to these applications, the original four MLA's (which only covered the individual deposits) were withdrawn. These progressed through the Right to Negotiate process with the Department of Mines, Industry Regulation and Safety and the Native Title Claimant group and their representatives. Hexagon has held several meetings with the Native Title Claimant group during and is continuing to advance these negotiations currently as part of the MJV.

Consultant Biologic Environmental Surveys completed a Subterranean Fauna Survey that was the largest subterranean fauna survey completed in the Kimberley and is one of the first of its kind in the region to meet the new Western Australian Mining Proposal requirements.

The MJV is reviewing the flora and fauna survey study reports previously completed at McIntosh in preparation for Environmental Impact Assessment and inclusion in the Mining Proposal.

Hexagon completed an on-ground heritage survey of priority drilling targets within the Mahi Mahi, Threadfin and Marlin Prospects during the June quarter. Hexagon received Native Title clearance for areas under its proposed drill program.

1.5. Offtake and Marketing

Prior to its agreement with MRL, Hexagon signed a non-binding Memorandum of Understanding with China National Building Materials – General Technology Co. Ltd (CNBM-GT) of China to purchase 30% of planned primary production from the McIntosh Graphite. However, this 30% offtake allocation was not progressed given MRL will own 51% of McIntosh graphite concentrates produced under the Earn-in Joint Venture. Hexagon sought to agree a test work program with CNBM-GT to underpin any off-take arrangements either on its own behalf or for the MJV. Finalisation of the process flow sheet will provide more certainty around the likely Stage 1 product mix and provide a better basis to advance the MoU terms.

1.6. Stage 2 – Downstream processing

Hexagon is developing opportunities for downstream processing of its joint venture equity allocation of graphite concentrates to capture greater margins down the supply chain. It controls and owns 100% of these downstream initiatives.

Test work

In its PFS for the McIntosh Project completed in May 2017, Hexagon had a single product focus, aimed solely at battery anode material, however Hexagon is now considering a diversified product range that may include large-flake products suitable for the expandable graphite market, for example. The underlying principles being diversification and premium pricing for higher purity graphite materials.

As part of its downstream strategy, Hexagon focused on increasing its understanding of end-user requirements and the opportunities in the higher-purity market segments. The Company partnered with a North American company, referred to as "NAmLab" that specialises in advanced graphite-applications and battery technologies; its capabilities cover research, test work and commercial manufacturing of graphite materials and batteries. Hexagon has formed a technical partnership with NAmlab to undertake further test work aimed to identify end-use opportunities for the McIntosh product with particular focus on higher purity products.

As part of this work, Hexagon undertook:

- **Graphite purification**

During the December quarter, Hexagon's test work by NAmLab confirmed the high-quality nature of McIntosh graphite, capable of producing a concentrate to a "five nines" purity (99.999 wt%C). NAmLab was actually targeting a 99.95 wt%C or 99.99 wt%C result but ultimately produced a Five Nines graphite (99.999 wt%C), confirming that the mineral impurities in the McIntosh concentrates "are extremely easy to remove due to their concentration on the surface of the flake as opposed to trapped in-situ of the flake in gangue and fissures," as reported by NAmLab. The objective is to utilise a thermal purification technology operated at temperatures of around 2,400 degrees Celsius. Further test work on a variety of thermal purification technologies is currently in progress.

This work validated the Company's strategy that it can diversify its product range and demonstrate easy purification metrics to achieve ultra-high purity products for advanced technical applications at premium prices.

- **Flake Sizing work**

Sizing work of previously generated graphite concentrate sample from the Emperor deposit indicated a significant proportion of large (>180µm) and jumbo (>300µm) sized flake from flake concentrate samples provided by Hexagon to NAmLab. This size analysis classified 16% of flake as super jumbo or jumbo, 69% as large and only 14% classified as small or fine. This result was a major improvement on previous understanding of the flake endowment, as flake size had not been a priority for the technical inputs into the PFS, given the focus on producing a finer grained feedstock for battery anode manufacturers. Subsequent petrological reviews of samples from all of the Mineral Resource areas confirmed a significant large flake endowment across the project.

- **Expandability test work**

NAmLab undertook test work on a sample from McIntosh that returned a strong expansion factor of 220% for +60 mesh sized flake without any exotic reagents or optimisation. The resultant product from the expansion test had an appearance of vermiform, accordion-looking structures, commonly referred to as "graphite worms". This larger expandable flake attracts premium pricing because it is a product that China lacks. It is used for foils in electronics, graphite seals/gaskets, graphene manufacturing and in fire-retardant products.

- **Crystallinity test work**

Graphite crystal structure test work highlighted the unique properties of the crystalline lattice of graphite from McIntosh. Independent testing by the US Department of Energy confirmed unique, near all-hexagonal preferred crystal orientation of purified McIntosh natural crystalline flake graphite material. This is a rare attribute which enables competition with synthetic graphite based materials.

- **Spherodisation test work**

Hexagon undertook spheroidisation test work on McIntosh graphite concentrate to confirm its suitability for lithium-ion battery feed stock. The initial test outcomes across a range of key battery anode-criteria were positive and highly encouraging and Hexagon continued this work to examine "higher-end" battery and tech-related end uses. This included testing of alternative spheroidisation, micronising and classifying technologies to achieve lower operating costs and higher yields.

The Company has developed an innovative flow sheet for downstream processing, using an initial purification phase followed by whichever downstream process is selected, as McIntosh material responds well to purification and this provides a higher value product.

A core innovation is the ability, defined by low cost and high efficiency, to start with the purification of the graphite concentrate, sourced from its MJV allocation, to at least 99.95 wt.% carbon. Working with its US technical partner, Hexagon has identified a spheroidisation milling technology and improved cascade impact milling/classification technology which, when applied to McIntosh graphite, offers major cost savings and improved productivity and yield.

Spheroidisation and classification test work on purified concentrate samples which assessed the suitability of Hexagon's graphite for the battery materials market highlighted that:

- Up to 69.17% converts to spherical graphite suitable for anodes in a range of lithium ion battery types (Battery Anode Material (BAM)); and
- Approximately 31% converts to material suitable for carbon Conductivity Enhancement Materials (CEM), which is potentially a higher priced product and larger volume than BAM as it is utilised in alkaline batteries and other battery chemistries as well as rechargeable and primary lithium ion batteries.

Using this new flow sheet will allow Hexagon to “leap-frog” competitors and reap major competitive benefits through lower purification costs, increased revenue per tonne of graphite concentrate feedstock and lower spheroidisation costs. McIntosh’s ease of purification to ultra-high purity and its highly amenable properties for spheroidisation result in a potential overall yield of nearly 100% of the graphite concentrate.

1.7. Stage 2 Scoping Study

During the June quarter, Hexagon announced the commencement of a Scoping Study to examine downstream refining and spheroidisation and ultrafine milling / micronising projects, which it expects to complete by end of the 2018 calendar year. This study will report on the overall business case in terms of operating and capital costs as well as target product pricing.

2. Halls Creek Project

The Halls Creek Project is an early stage exploration project which has had very little project-wide systematic work, in particular drilling. It is considered highly prospective for high-grade gold and polymetallic base metal mineralisation such as occur in the immediate region in similar geology.

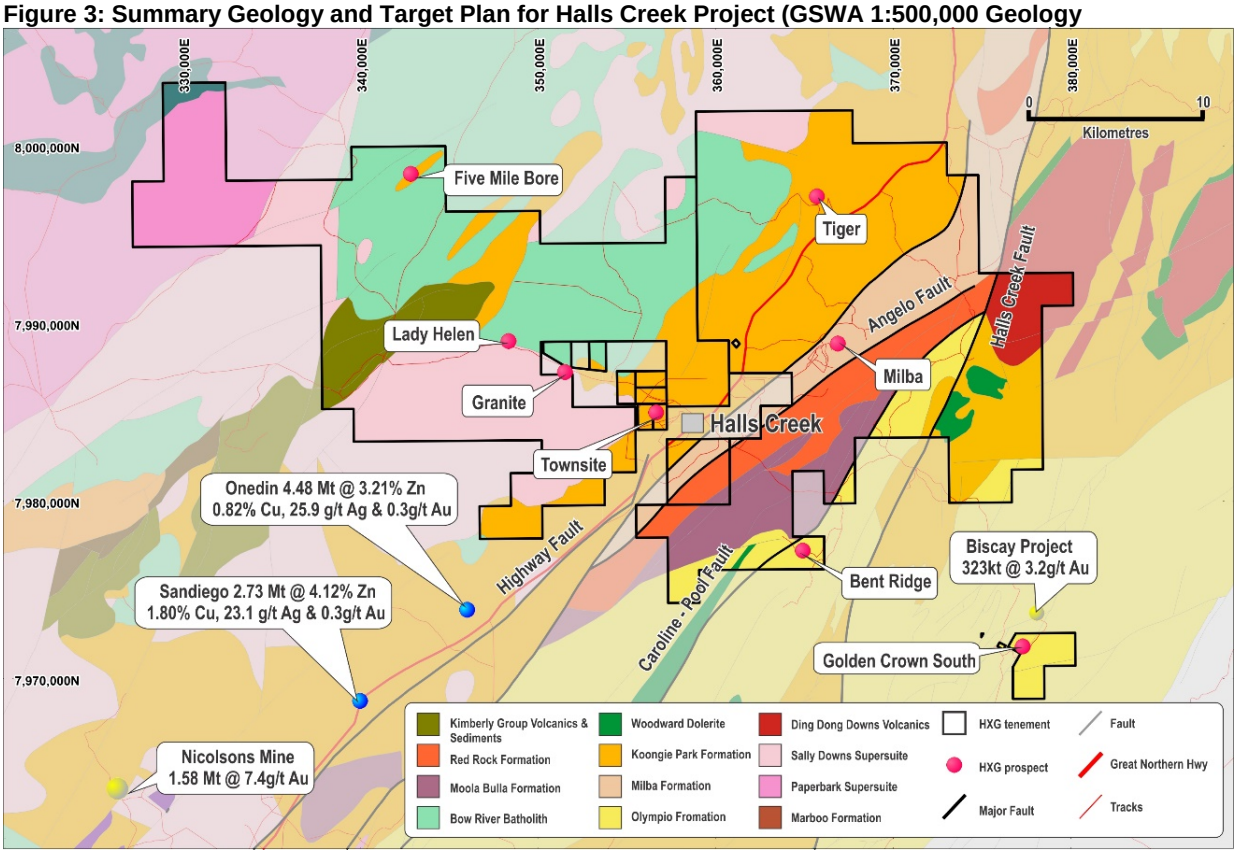
During the year, Hexagon identified four drill ready gold and base metals targets and several other new prospective zones at its Halls Creek project as presented in Figure 3.

Exploration at the Halls Creek Project consisted of the continued review and compilation of historical data to generate targets for follow up exploration along with ongoing engagement with the native title claimant group’s representative for access to carry out field-based exploration programs in the upcoming field season.

From the historical data review, Hexagon identified the Lady Helen Au-Ag prospect as a high priority target requiring follow up exploration. Historic high-grade values up to 70g/t gold and 50g/t silver were returned from rock chipping a gossan within an intermittent Au-As geochemical anomaly over a strike length of 500m. A historical drilling program returned a best result of 4m at 22.6 g/t Au & 17.3 g/t Ag from a vertical hole drilled straight into the gossan.

Hexagon continues to assess options for the Halls Creek Project which is regarded as an important asset, but non-core to the Company’s current downstream processing work on graphite.

Figure 3: Summary Geology and Target Plan for Halls Creek Project (GSWA 1:500,000 Geology



3. Mineral Resource & Ore Reserve Estimates

Through the 2018 financial year, the Company had its own in house geological team responsible for new discoveries, data acquisition and the Mineral Resource estimates. The Mineral Resources were last updated in May 2017 and 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 1. 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 flake graphite concentrate products from the McIntosh resource are amenable for sale into several markets including, larger flake expandable graphite market, a variety of higher-purity industrial and sophisticated technical applications as well as the lithium ion battery market. 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 1. McIntosh Flake Graphite Project Mineral Resource as at 28 September 2018 reported by deposit and above a 3% TGC cut-off grade.

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

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

3.2. Comparison with previous year's estimate

The Mineral Resource has not been updated since the last Annual Report dated 28 September, 2017. The Ore Reserve has been removed to acknowledge that significant additional metallurgical test work has been undertaken which is likely to significantly affect the operating parameters and economic assessment. This is the subject of a Feasibility Study, currently being undertaken by Hexagon's joint-venture partner, Mineral Resources Limited.

Important Note:

i. **Modifying Factors** - a full summary is provided in ASX Report Dated 31 May, 2017.

ii. **Competent Persons** attributions are presented below.

iii. **Mineral Resource Estimate (MRE)** – in this Report represents the MRE for Hexagon Resources as at 27 September 2018.

   a. This MRE 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).

   b. 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 MRE statement is 30 June.

   c. 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.

iv. **Governance Summary** - The MRE listed in this report is subject to Hexagon's governance arrangements and internal controls. Hexagon's MRE is 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 MRE. 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. 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. Mr. Rosenstreich is a fulltime employee of the Company and is a Fellow of The Australasian Institute of Mining and Metallurgy. Mr. Tomlinson was a fulltime employee of the Company until 10 August, 2018 and is currently a Consulting Geologist for Mineral Resources, working on the McIntosh project. He is a Member of the Australian Institute of Geoscientists. They both, individually have sufficient experience relevant to the styles of mineralisation and types of deposits under consideration and to the activities currently being undertaken to qualify as a Competent Person(s) as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves and they consent to the inclusion of this information in the form and context in which it appears in this report.

Metallurgical Test Work Outcomes

The information within this report that relates to metallurgical test work outcomes and processing of the McIntosh material is based on information provided by a series of independent laboratories. Mr Rosenstreich (referred to above) managed and compiled the test work outcomes reported in this announcement. A highly qualified and experienced researcher at NAmlabs planned, supervised and interpreted the results of the test work. Mr Michael Chan also reviewed the metallurgical test work outcomes. Mr Chan is a Metallurgical Engineer and a Member of the Australasian Institute of Mining and Metallurgy. Mr Chan and the NAmLab principals have sufficient relevant experience relevant to the style of mineralisation and types of test-work under consideration and to the activities currently being undertaken to qualify as a Competent Person(s) as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves and have consented to the inclusion of this information in the form and context in which it appears in this report.

Technical Detail - references to Hexagon Website and recent ASX Reports

This Report aims to provide a high level summary of various technical aspects of the Company's projects. For more details on the underlying technical parameters the reader is referred to the ASX Reports on the Hexagon Resources Limited website, www.hexagonresources.com , in particular: May 31, 2017 on PFS Results, August 16, 2017 on Battery Test Work, November 6, 2017 on Large Flake endowment , November 23, 2017 on Expandability test work, Purification test work on January 16, 2018, Crystallinity determinations on March 6, 2018, Spheroidisation Test Yields on 21 June, 2018, and Cell Cycling results on 17 July, 2018; which contain the full JORC Tables on reporting of test work results.

5. Corporate

Capital Raising

In April, 2018, Hexagon raised $7 million at $0.19 per share in a share placement that attracted a range of Australian and international investors. This included strong support from existing substantial shareholder, the Tribeca Global Resources Fund, and new shareholder, MRL. The shares were issued on settlement under the Company's 15% Placement Capacity (ASX Listing Rule 7.1).

Hexagon is using the funds to establish a pilot refining facility as part of the downstream business feasibility study and to expedite marketing of upgraded McIntosh derived graphite materials.

Board & Management Changes

During the December quarter, Rowan Caren commenced as Hexagon's sole Company Secretary. Hexagon appointed Michael Chan as its Chief Development Officer, effective 21 May 2018. Most recently, Mr Chan was General Manager of Project Development for Syrah Resources Ltd for six years, taking its Balama Graphite Project from concept to completion of feasibility before moving to focus on downstream processing studies.

Transfer of registered office

Having consolidated the Company's management group in Perth including the appointment of a new Company Secretary and Chief Financial Officer, Hexagon completed the transfer of its registered office to Perth in late 2017. In 2018, the Company relocated its registered office and principal place of business to:

Unit 3/7 Kintail Road
Applecross, WA 6153
Tel: +61 8 6244 0349
Fax: +61 8 6314 6673
The mailing address is:
PO Box 825
Canning Bridge
Applecross, WA 6153

Transactions

To help the Company focus on securing project support and offtake interest for McIntosh, Hexagon sold 1.9 million shares in unlisted Battery Mineral Resources Limited to generate approximately $1.3 million.

Capital Structure

Incentive shares and options were issued to directors of the Company, following shareholder approval obtained on 25 September 2017.

- Incentive Shares - 1,000,000
- Incentive Options exercisable at 15 cents expiring 16 October 2020 - 7,862,500
- Incentive Options exercisable at 17 cents expiring 16 October 2020 - 7,862,500
- Incentive Options exercisable at 20 cents expiring 16 October 2020 - 7,862,500.

There are specific vesting conditions for the shares and options comprising both performance milestones toward production and the Hexagon share price attaining certain "Knock-In" prices of between 20 and 23 cents. Commensurate with the Director's incentive structure the following shares and options were also issued to employees and key contractors:

- Incentive Shares - 570,000
- Incentive Options exercisable at 15 cents expiring 16 October 2020 – 420,000
- Incentive Options exercisable at 17 cents expiring 16 October 2020 – 420,000
- Incentive Options exercisable at 20 cents expiring 16 October 2020 – 420,000.

On 30 September 2017, 4,131,250 unlisted options exercisable at 12 cents each expired. In addition, 50,000 unlisted options exercisable at 8 cents expiring on 11 November 2017 also lapsed following the resignation of an employee, and 6,000,000 unlisted options exercisable at between 28 and 50 cents were cancelled by mutual consent.

During the March quarter, 3 million options were exercised at a price of $0.16162 each to raise $484,000. The options had been issued to US-based The Lind Partners LLC on 3 March 2015 as part of a $1 million convertible funding structure, which has since been fully repaid.

In the June quarter, Hexagon issued 36,842,105 shares at $0.19 to raise $7.0 million. In addition, 3,250,000 options were exercised at a price of $0.133 each to raise $432,000; and 3,000,000 employee incentive Performance Rights were issued to Mr Michael Chan, Chief Development Officer.

The Company also reduced its administrative cost burden by tidying up small shareholdings on its share register through a less than marketable parcel sale facility which resulted in 221,609 shares held by 362 shareholders being consolidated.

As at 30 June 2018, Hexagon had on issue 291,783,397 fully paid ordinary shares, 24,397,500 million unlisted options, 3,000,000 employee incentive Performance Rights and 1,703 shareholders.

6. Interests in Exploration Tenements

Table 2: Hexagon Resources Limited held the following interests in exploration tenements as at 27 September 2018.

Project	Tenement	Application Date	Grant Date	Expiry Date
McIntosh WA	E80/3864	29/01/2007	08/04/2008	07/04/2020
	E80/3928	17/04/2007	02/06/2009	01/06/2019
	E80/3906	16/03/2007	03/12/2008	02/12/2018
	E80/3907	16/03/2007	03/12/2008	02/12/2018
	E80/4688	15/02/2012	25/10/2012	24/10/2022
	E80/4734	29/08/2012	17/09/2014	16/092019
	E80/4739	20/09/2012	14/11/2013	13/112018
	E80/4732	24/08/2012	14/11/2013	13/112018
	E80/4825	28/08/2013	03/09/2014	02/09/2019
	E80/4842	03/12/2013	27/08/2014	26/082019
	E80/4841	03/12/2013	27/08/2014	26/08/2019
	P80/1821	31/10/2013	27/08/2014	26/08/2022
	E80/4733	28/08/2012	15/11/2013	14/11/2018
	E80/4879	12/05/2014	23/07/2015	22/07/2020
	E80/4931	16/12/2014	12/08/2015	11/08/2020
	E80/5151	13/10/2017	Pending	N/A
	E80/5157	13/11/2017	Pending	N/A
	L80/0093	21/12/2017	Pending	N/A
	M80/638	29/11/2017	Pending	N/A
	M80/639	29/11/2017	Pending	N/A
Halls Creek WA	E80/4794	17/05/2013	03/09/2014	02/09/2019
	E80/4793	17/05/2013	03/11/2014	02/11/2019
	E80/4795	17/05/2013	10/12/2014	09/12/2019
	E80/4858	23/01/2014	06/05/2016	05/05/2021
	P80/1816	05/09/2013	07/10/2014	06/10/2018
	P80/1817	05/09/2013	07/10/2014	06/10/2018
	P80/1815	05/09/2013	07/10/2014	06/10/2018
	P80/1817	05/09/2013	07/10/2014	06/10/2018
	P80/1814	05/09/2013	07/10/2014	06/10/2018
	P80/1799	09/05/2012	03/09/2013	02/09/2021
	P80/1801	09/05/2012	03/09/2013	02/09/2021
	P80/1800	09/05/2012	03/09/2013	02/09/2021

** 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 2019, the Company plans:

McIntosh Project

Stage 1 MJV Project

- Complete MJV documentation with MRL
- Significantly advance the feasibility study for the MJV Stage 1 project – being managed and funded by MRL
- Advance offtakes for flake graphite concentrate materials.

Stage 2 Downstream Graphite Processing

- Finalise commercial arrangements to secure pilot scale refining furnace
- Complete a Scoping Study on the refining and downstream processing business case
- Undertake further major test work programs on refining as well as product development of various high-purity graphite products destined for the high-tech electronics, energy storage and industrial sectors, including validation of the potential to substitute natural refined graphite for synthetic graphite in certain applications.

Halls Creek Project

Continue regional target generation, mapping and geochemical surveys

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 any 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 2017**	**Issued**	**Exercised**	**Expired/ Lapsed**	**30 June 2018**
3 March 2018	$0.16162	3,000,000	-	(3,000,000)	-	-
30 September 2017	$0.12	4,131,250	-	-	(4,131,250)	-
11 November 2017	$0.08	300,000	-	(250,000)	(50,000)	-
30 June 2018	$0.133	3,250,000	-	(3,250,000)	-	-
30 June 2018	$0.133	1,250,000	-	-	(1,250,000)	-
16 December 2019	$0.28	2,000,000	-	-	(2,000,000)	-
16 December 2019	$0.40	2,000,000	-	-	(2,000,000)	-
16 December 2019	$0.50	2,000,000	-	-	(2,000,000)	-
16 October 2020 (1)	$0.15	-	8,282,500	-	(150,000)	8,132,500
16 October 2020 (2)	$0.17	-	8,282,500	-	(150,000)	8,132,500
16 October 2020 (3)	$0.20	-	8,282,500	-	(150,000)	8,132,500
TOTAL		17,931,250	24,847,500	(6,500,000)	(11,881,250)	24,397,500

1. Fully vested at 30 June 2018.
2. 237,000 options had vested at 30 June 2018. 7,895,500 options subject to vesting conditions.
3. 62,000 options had vested at 30 June 2018. 8,070,500 options subject to vesting conditions.

PERFORMANCE RIGHTS

3,000,000 Performance Rights were issued to the Chief Development Officer on 18 June 2018. Vesting conditions apply to the Performance Rights.

REMUNERATION REPORT - AUDITED

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

Remuneration Policy

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

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

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

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

Non-Executive Director Remuneration

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

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

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

As at 30 June 2018 each non-executive Director was entitled to receive fees of $40,000 plus superannuation (2017: $40,000 plus superannuation) per annum and the Chairman $65,000 (2017: $65,000) 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 2018 is detailed in Table 1 of this Remuneration Report.

Executive Directors and Key Management Personnel Remuneration

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

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

The remuneration of the non-executive chairman and key management personnel for the year ending 30 June 2018 is detailed in Tables 1 and 2.

Employment Contracts

Agreement with the Managing Director – Michael Rosenstreich

On 18 August 2018, the Company and Michael Rosenstreich entered into a new employment agreement (Employment Agreement), replacing the previous agreement signed on 17 March 2017, when Mr Rosenstreich was appointed Managing Director. The Employment Agreement contains the terms and conditions under which Mr Rosenstreich will provide his services to the Company.

The agreement:

- has no specified term;
- involves the payment to Michael Rosenstreich of an annual salary of $328,500 inclusive of 9.5% superannuation and reimbursement of all reasonable business expenses;
- has provision for three months' notice for termination by Michael Rosenstreich and six months' notice for termination by the Company; 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 Non-Executive Director – Garry Plowright

The agreement for Non-Executive Director Services:

- has no specified term;
- involves the payment to Garry Plowright of annual director's fees of $40,000 plus reimbursement of all reasonable business expenses;
- has provision for termination by either the Company or Garry Plowright; 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 Garry Plowright of monthly consulting fees of $5,000 plus reimbursement of all reasonable business expenses;
- has provision for 10 days' notice for termination by either the Company or Garry Plowright; and
- otherwise contains standard terms relating to confidentiality, conflicts of interest and representations and warranties.

Agreement with Company Secretary

Mr Rowan Caren was appointed Joint Company Secretary on 18 September 2017. He assumed 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.

Agreement with Chief Development Officer

Mr Michael Chan was appointed Chief Development Officer on 21 May 2018. The employment agreement contains a six month probation period, has provision for three months' notice of termination by either party, provides for an annual salary of $260,000 inclusive of superannuation up to $25,000; participation in employee share loan scheme; awarding of Performance Rights subject to performance conditions, long term incentive payments subject to performance conditions; short term cash incentive; sign-on package comprising cash and shares.

Details of Directors and Key Management Personnel

Directors - Current

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

Key Management Personnel - Current

Name	Position	Detail
Rowan Caren	Company Secretary	Commenced 18 September 2017
Michael Chan	Chief Development Officer	Commenced 21 May 2018

Key Management Personnel - Past

Name	Position	Detail
Leni Stanley	Company Secretary	Resigned 31 October 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

2018	Short Term		Long Term	Post-Employment		Share-based Payments		
	Salary & Fees	Consulting fees	Leave Entitle ments	Superannua tion	Retire-ment benefits	Shares and Options	Total	Perfor-mance Related %
	$	$	$	$	$	$	$	
Directors								
Charles Whitfield	65,040	84,960	-	-	-	234,503	384,503	61%
Michael Rosenstreich	257,292	-	10,416	24,443	-	296,741	588,892	50%
Garry Plowright	40,000	13,698	-	5,101	-	67,574	126,373	53%
	362,332	98,658	10,416	29,544	-	598,818	1,099,768	

2017	Short Term		Long Term	Post-Employment		Share-based Payments		
	Salary & Fees	Consulting Fees	Leave Entitle-ments	Superan -nuation	Retirement benefits	Options	Total	Performance Related %
	$	$	$	$	$	$	$	
Directors								
Charles Whitfield	56,856	14,160	-	-	-	127,568	198,584	64%
Michael Rosenstreich (1)	81,250		-	7,026	-	-	88,276	-
Garry Plowright	40,000	-	-	3,800	-	38,333	82,133	47%
Neville Miles(2)	50,000	-	-	-	-	115,698	165,698	70%
Anthony Cormack(3)	185,652	-	46,654	22,069	-	128,189	382,564	34%
	413,758	14,160	46,654	32,895	-	409,788	917,255	

(1) Michael Rosenstreich was appointed 17 March 2017
(2) Neville Miles resigned 4 May 2017.
(3) Anthony Cormack resigned 4 May 2017.
None of the shares above are held nominally by the directors or any of the other key management personnel.

Table 2: Remuneration of key management personnel

2018	Short Term		Long Term	Post-Employment		Share-based Payments		
	Salary & Fees	Cash Bonus	Leave Entitle-ments	Superan -nuation	Retirement benefits	Shares and Options	Total	Performance Related %
	$	$	$	$	$	$	$	
Key Management Personnel								
Leni Stanley (1)	48,332	-	-	-	-	4,640	52,972	9%
Rowan Caren (2)	41,625	-	-	-	-	6,663	48,288	14%
Michael Chan	28,656	20,000		4,622		62,683	115,961	54%
	118,613	20,000	-	4,622	-	73,986	217,221	

(1) Leni Stanley resigned on 31 October 2017.
(2) Rowan Caren was appointed Company Secretary on 18 September 2017.

2017	Short Term		Long Term	Post-Employment		Share-based Payments		
	Salary & Fees	Cash Bonus	Leave Entitle-ments	Superan -nuation	Retirement benefits	Options	Total	Performance Related %
	$	$	$	$	$	$	$	
Key Management Personnel								
Leni Stanley (1)	24,996	-	-	-	-	7,173	32,169	22%
Brent Van Staden (2)	20,780	-	-	-	-	3,587	24,367	15%
	45,776	-	-	-	-	10,760	56,536	

(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 provided legal services. Brent Van Staden resigned 5 May 2017.

Termination benefits
No termination benefits were paid during the 2018 financial year (2017: Nil).

Bonuses
No other cash bonuses, performance related bonuses, termination benefits or non-cash benefits were paid during the year or comparative year.

Equity instruments issued as part of remuneration
During the financial year, following shareholder approval 23,587,500 options (2017: 7,250,000 options) were issued to Directors and 345,000 options (2017: Nil) were issued to other key management personnel as part of their remuneration.

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

2018	Opening Balance 1 July 2017	Granted as Remuneration	Options Exercised	Net Change Other	Closing Balance 30 June 2018
Directors					
Charles Whitfield	2,806,463	-	1,000,000	-	3,806,463
Michael Rosenstreich	96,053	1,000,000	-	-	1,096,053
Garry Plowright	500,000	-	500,000	-	1,000,000
Key Management Personnel					
Leni Stanley (1)	-	-	100,000	-	100,000
Rowan Caren (2)	-	-	-	-	-
Michael Chan (3)	-	504,545	-	-	504,545
Total	3,402,516	1,504,545	1,600,000	-	6,507,061

(1) Leni Stanley resigned 31 October 2017. Closing balance represents balance at date of resignation.
(2) Rowan Caren was appointed Company Secretary on 18 September 2017.
(3) Michael Chan was appointed Chief Development Officer 21 May 2018.
204,545 shares were issued under sign-on package subject to escrow provisions.
300,000 shares were issued under employee share loan scheme
None of the shares above are held nominally by the directors or any of the other key management personnel.

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

2018	Opening Balance 1 July 2017	Granted as remuneration	Options Exercised	Net Change Options expired	Closing Balance 30 June 2018
Directors					
Charles Whitfield	2,000,000	8,925,000	(1,000,000)	(1,000,000)	8,925,000
Michael Rosenstreich	-	12,750,000	-	-	12,750,000
Garry Plowright	750,000	1,912,500	(500,000)	(250,000)	1,912,500
Key Management Personnel					
Leni Stanley (1)	100,000	120,000	(100,000)	-	120,000
Rowan Caren (2)	-	225,000	-	-	225,000
Michael Chan (3)	-	3,000,000	-	-	3,000,000
Brent Van Staden (3)	50,000	-	-	(50,000)	-
Total	2,900,000	26,932,500	(1,600,000)	(1,300,000)	26,932,500

(1) Leni Stanley resigned 31 October 2017. Closing balance represents balance at date of resignation.
(2) Rowan Caren was appointed Company Secretary 18 September 2017.
(3) Michael Chan was appointed 21 May 2018.
(4) Brent Van Staden resigned 5 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 are subject to service conditions 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.

Performance rights are subject to service conditions carry no dividend or voting rights until the performance rights vest and are converted to ordinary shares whereupon those ordinary shares carry dividend and voting rights consistent with all other ordinary shares of the Company.

Three tranches of options were granted on 25 September 2017, with an expiry of 16 October 2020, exercisable at 15 cents each, 17 cents each and 20 cents each respectively. Each tranche is subject to specific non-market related performance hurdles and market related vesting conditions based on the company's share price as approved by the Board and in the case of options issued to Directors, by shareholders.

Performance rights issued on 15 February 2018 are subject to specific non-market related performance hurdles approved by the Board.

2018	Grant date	Number of options, shares and performance rights granted during the year	Value of options, shares and performance rights at grant date [1] $	Number of options, shares and performance rights vested during the year	% vested	Number of options, shares and performance rights forfeited during the year	Years in which options, shares and performance rights may vest
Directors							
Charles Whitfield (a)	25/09/2017	2,975,000	$0.042	2,975,000	100%	-	2017 - 2020
Charles Whitfield (b)	25/09/2017	2,975,000	$0.039	-	-	-	2017 - 2020
Charles Whitfield (c)	25/09/2017	2,975,000	$0.035	-	-	-	2017 * 2020
Michael Rosenstreich	25/09/2017	4,250,000	$0.042	4,250,000	100%	-	2017 - 2020
Michael Rosenstreich	25/09/2017	4,250,000	$0.039	-	-	-	2017 - 2020
Michael Rosenstreich	25/09/2017	4,250,000	$0.035	-	-	-	2017 - 2020
Michael Rosenstreich	25/09/2017	1,000,000	$0.079	500,000	50%	-	2017 - 2020
Garry Plowright	25/09/2017	637,500	$0.042	637,500	100%	-	2017 - 2020
Garry Plowright	25/09/2017	637,500	$0.039	-	-	-	2017 - 2020
Garry Plowright	25/09/2017	637,500	$0.035	-	-	-	2017 - 2020
Key Management Personnel							
Leni Stanley	25/09/2017	40,000	$0.042	40,000	100%	-	2017 - 2020
Leni Stanley	25/09/2017	40,000	$0.039	40,000	100%	-	2017 - 2020
Leni Stanley	25/09/2017	40,000	$0.035	40,000	100%	-	2017 - 2020
Rowan Caren	25/09/2017	75,000	$0.042	75,000	100%	-	2017 - 2020
Rowan Caren	25/09/2017	75,000	$0.039	75,000	100%	-	2017 - 2020
Rowan Caren	25/09/2017	75,000	$0.035	-	-	-	2017 - 2020
Michael Chan	15/02/2018	3,000,000	$0.20	-	-	-	2018 - 2021
Total		27,932,500		8,632,500			

*Grant Date is the date on which Shareholders or the Board, as appropriate approved the issue of the respective option issues.

[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, but assuming the condition was satisfied.

Share-based Compensation Benefits (continued)

2017	Grant Date	Number of options granted 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	30/11/2016	1,000,000	$0.0960	-	-	-	2017 – 2018
Charles Whitfield	30/11/2016	1,000,000	$0.0922	1,000,000	100%	-	2017 – 2018
Michael Rosenstreich		-	-	-	-	-	2017 – 2018
Garry Plowright	30/11/2016	500,000	$0.0960	-	-	-	2017 – 2018
Garry Plowright	30/11/2016	250,000	$0.0922	250,000	100%	-	2017 – 2018
Neville Miles	30/11/2016	1,500,000	$0.0960	-	-	750,000	2017 – 2018
Neville Miles	30/11/2016	500,000	$0.0922	500,000	100%	500,000	2017 – 2018
Anthony Cormack	30/11/2016	2,000,000	$0.0960	-	-	1,000,000	2017 – 2018
Anthony Cormack	30/11/2016	500,000	$0.0922	500,000	100%	500,000	2017 - 2018
Key Management Personnel							
Leni Stanley		-	-	-	-	-	-
Brent Van Staden		-	-	-	-	-	-
Total		7,250,000		2,250,000		2,750,000	

* Options issued on 30 November 2016, are exercisable at 13.3 cents each and expire on 30 June 2018, subject to specific non-market related performance hurdles and market related vesting conditions based on the company's share price as approved by the Board and in the case of options issued to Directors, by shareholders.

[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 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 2018 and 2017:

	2018	2017
Grant date	25 Sep 2017	30 Nov 2016
Expected volatility	85%	100%
Risk-free rate average	2.13%	1.60%
Expected life average (years)	3 years	2 years
Fair value (each)	$0.035 - $0.042	$0.096
Number issued	23,932,500	5,000,000
Dividend yield	nil	nil
Weighted average exercise price ($)	$0.17	$0.133
Share price at grant date ($)	$0.095	$0.28
Total fair value	$925,391	$480,000

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.

Fair value of employee share loan scheme shares granted

The fair value of the employee share loan scheme shares 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 shares were granted.

A material feature of the employee share loan scheme is the issue of shares may be undertaken by way of provision of a non-recourse, interest free loan with the whole amount becoming immediately due and payable following the 10th anniversary on the date on which the loan was made. For purposes of the valuation, it is assumed the performance criteria will be met within three years.

The following table lists the inputs to the model used in the valuation of the shares granted in 2018:

	2018	2017
Grant date	25 Sep 2017	-
Expected volatility	85%	-
Risk-free rate average	2.80%	-
Expected life average (years)	3 years	-
Fair value (each)	$0.079	-
Number issued	1,000,000	-
Dividend yield	nil	-
Issue price ($)	$0.11	-
Share price at grant date ($)	$0.095	-
Total fair value	$79,108	-

The expected life of the shares 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 shares granted were incorporated into the measurement of fair value.

Fair value of performance rights granted

The fair value of the performance rights 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 performance rights were granted.

The following table lists the inputs to the model used in the valuation of the performance rights granted in 2018:

	2018
Grant date	15 Feb 2018
Expected life (years)	3 years
Fair value (each)	$0.20
Number issued	3,000,000
Share price at grant date ($)	$0.20
Total fair value	$600,000

Other transactions with key management personnel

Drumrock Capital Ltd, an entity associated with Charles Whitfield, provided consulting services totaling $84,160 (2017: $14,160) 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	2018	2017	2016	2015	2014
Share price at end of financial year ($)	0.21	0.09	0.15	0.06	.90
Market capitalisation at end of financial year ($M)	61.27	22.17	35.07	10.27	107.97
Loss for the financial year ($)	1,305,622	1,696,620	2,570,062	5,693,038	1,888,768
Director and Key Management Personnel remuneration	1,316,989	973,791	442,158	851,956	688,394

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 2018 financial year to review management and other staff remuneration packages.

The Company received more than 89 percent of "Yes" votes on its Remuneration Report for the 2017 financial year. The Company did not receive any specific feedback at the Annual General Meeting or throughout the year on its remuneration practices.

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 (WA) Pty Ltd and its related practices:

	2018	2017
	$	$
Taxation services	49,780	18,154
Technical Advice including R&D Claims	15,300	13,000
Total	**65,080**	**31,154**

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Directors' Report and is attached on page 30.

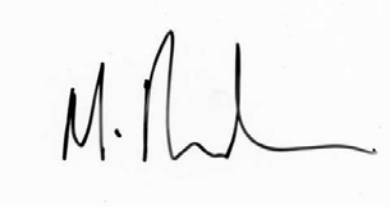
EVENTS SINCE THE END OF THE FINANCIAL YEAR

On 27 March 2018, the company announced it had entered into a binding Heads of Agreement with Mineral Resources Limited (MRL) covering the development of Stage 1 of the McIntosh Graphite Project (Project). Under the agreement, Hexagon and MRL will establish an unincorporated joint venture, with Hexagon and MRL respectively holding a 49% and 51% participating interest. Hexagon shareholders approved the transaction on 14 May 2018 (the Effective Date). Under the arrangement from the Effective Date, MRL will fund all project exploration and development with a view to:

- completing all feasibility studies within 18 months;
- making a decision to mine within 24 months; and
- will target completion of project development activities and commercial production of graphite concentrate within 36 months.

As at the date of this report, the Joint Venture agreement and other related agreements had not been executed and the 51% interest in the McIntosh tenements had not been assigned to the Joint Venture partner. Completion of these activities is expected in the near term.

Signed in accordance with a resolution of the Board of Directors



Michael Rosenstreich
Director
27 September 2018

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

As lead auditor of Hexagon Resources Limited for the year ended 30 June 2018, 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.

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 27 September 2018

Consolidated Statement of Comprehensive Income
For the year ended 30 June 2018

	Note	2018 $	2017 $
Interest revenue		5,572	10,213
Profit on disposal Battery Minerals investment	10	1,051,793	-
Unrealised FX gain/ (loss) on Hengda Deposit	2	-	(93,136)
Fair value gain/ (loss) on Lind options derivative liability	12	28,029	143,759
Gain on disposal of fixed asset		-	23,436
Exchange differences on translation of foreign currencies		5,606	-
Employee expenses		(374,065)	(303,368)
Share based payment expense	16	(657,507)	(1,166,773)
Corporate and administration expenses		(1,355,753)	(729,148)
Impairment of Exploration costs	11	(9,297)	(333,739)
Reversal of provision for non-recovery of Hengda Deposit	2	-	905,079
Loss before income tax		(1,305,622)	(1,543,677)
Income tax	3	-	-
Loss from continuing operations		(1,305,622)	(1,543,677)
Loss from discontinued operations		-	(152,943)
Net Loss for the year		(1,305,622)	(1,696,620)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Reclassification of exchange differences on disposal of foreign subsidiary	14	30,920	(16,400)
Available-for-sale financial asset reclassified to profit and loss	14	(1,042,512)	1,100,052
Other comprehensive income for the year, net of tax		(1,011,592)	1,083,652
Total comprehensive income		(2,317,214)	(612,968)
Loss per Share		*Cents*	*Cents*
Basic and diluted loss per share	5	(0.5)	(0.7)
Basic and diluted loss per share – continuing operations	5	(0.5)	(0.7)
Total comprehensive income for the year attributable to owners arises from:			
Continuing operations		(2,317,214)	443,625
Discontinued operations		-	(169,343)
		(2,317,214)	(612,968)

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

Consolidated Statement of Financial Position
As at 30 June 2018

	Note	30 June 2018 $	30 June 2017 $
CURRENT ASSETS			
Cash and cash equivalents	7	7,361,880	1,856,812
Trade and other receivables	8	18	127,274
Other assets	9	-	5,815
TOTAL CURRENT ASSETS		7,361,898	1,989,901
NON-CURRENT ASSETS			
Trade and other receivables	8	6,950	11,450
Available-for-sale financial asset	10	67,540	1,300,052
Plant and equipment		23,032	3,651
Exploration and evaluation assets	11	10,443,220	8,568,394
TOTAL NON-CURRENT ASSETS		10,540,742	9,883,547
TOTAL ASSETS		17,902,640	11,873,448
CURRENT LIABILITIES			
Trade and other payables	12	322,009	324,517
Provisions	12	26,159	20,623
TOTAL CURRENT LIABILITIES		348,168	345,140
TOTAL LIABILITIES		348,168	345,140
NET ASSETS		17,554,472	11,528,308
EQUITY			
Share capital	13	58,817,934	51,132,064
Reserves	14	1,970,448	2,324,532
Accumulated losses		(43,233,910)	(41,928,288)
TOTAL EQUITY		17,554,472	11,528,308

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

Consolidated Statement of Changes in Equity
For the year ended 30 June 2018

Consolidated Entity	Share Capital	Reserves	Accumulated Losses	Total
	$	$	$	$
Balance at 1 July 2016	48,937,564	74,108	(37,661,606)	7,876,711
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
Balance at 1 July 2017	51,132,064	2,324,532	(41,928,288)	11,528,308
Transactions with owners in their capacity as owners				
Issue of share capital	7,048,300	-	-	7,048,300
Share issue costs	(299,540)	-	-	(299,540)
Exercise of options	937,110	-	-	937,110
Issue of options	-	575,132	-	575,132
Issue of loan scheme shares	-	65,709	-	65,709
Issue of performance rights	-	16,667	-	16,667
Total	7,685,870	657,508	-	8,343,378
Comprehensive income				
Loss after income tax	-	-	(1,305,622)	(1,305,622)
Other comprehensive income:				
Currency translation differences arising during the year	-	30,920	-	30,920
Gain on the disposal of available-for-sale financial assets	-	(1,042,512)	-	(1,042,512)
Total comprehensive income	-	(1,011,592)	(1,305,622)	(2,317,214)
Balance at 30 June 2018	58,817,934	1,970,448	(43,233,910)	17,554,472

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 2018

	Note	2018 $	2017 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,656,773)	(991,088)
Interest received		5,572	10,213
Net cash used in operating activities	15	(1,651,201)	(980,875)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(22,171)	(1,554)
Payments for exploration and evaluation		(2,166,252)	(2,729,472)
Receipt of government grant in relation to exploration assets		411,423	602,000
Receipt of proceeds on sale of Hengda Deposit		-	771,893
Proceeds on sale of discontinued operations		-	1,000,000
Proceeds on sale of investment		1,241,793	-
Net cash used in investing activities		(535,207)	(357,133)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		7,985,410	2,304,500
Share issue costs		(299,540)	(110,000)
Net cash provided by financing activities		7,685,870	2,194,500
Net increase/ (decrease) in cash and cash equivalents		5,499,462	856,492
Cash and cash equivalents at the beginning of the year		1,856,812	1,000,320
Net foreign exchange differences		5,606	-
Cash and cash equivalents at the end of the year	7	7,361,880	1,856,812

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" or "Parent Entity") 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 27 September 2018.

Basis of preparation

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

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

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

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

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share Based Payments
The Consolidated Entity measures the cost of equity-settled transactions with directors and employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options with non-market conditions is determined by an internal valuation using a Black-Scholes option pricing model or an up and in single barrier option pricing model, taking into account the terms and conditions upon which the instruments were granted. The fair value of shares is determined by the market price of the Company's shares at the date of grant. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Going Concern
The Consolidated Entity incurred a net loss of $1,305,622 for the year ended 30 June 2018. As at 30 June 2018 the Consolidated Entity had cash reserves of $7,361,880 and net current assets of $7,013,730. The Consolidated Entity has not generated revenues from operations during the year.

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.

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 statement of financial position statement of financial position 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 statement of financial position 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

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.

(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.

(iv) Available-for-sale financial assets

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

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

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

(v) Financial liabilities

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

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

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

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

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

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

(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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 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 statement of financial position.

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 2018. 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

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2018. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change necessary to Group accounting policies.

AASB 9 *Financial Instruments*
AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The effective date is for annual reporting periods beginning on or after 1 January 2018.

The Consolidated Entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the Consolidated Entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

AASB 15 *Revenue from Contracts with Customers*
AASB 15 replaces AASB 118: Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations. In summary, AASB 15:

- establishes a new revenue recognition model;
- changes the basis for deciding whether revenue is to be recognised over time at a point in time;
- provides a new and more detailed guidance on specific topics (eg. multiple element arrangements, variable pricing, rights of return and warranties); and
- expands and improves disclosures about revenue.

The Consolidated Entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the Consolidated Entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019 given that revenue streams are not expected until products have been fully developed.

AASB 16 *Leases*
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred.

A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Consolidated Entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the Consolidated Entity.

	2018	2017
	$	$

NOTE 2 LOSS BEFORE INCOME TAX

Loss before income tax includes the following specific expenses/(income)

Profit on disposal Battery Minerals investment	(1,051,793)	-
Defined contributions superannuation expense – related party	29,543	57,776
Rental expense relating to operating leases - Minimum lease payments	30,177	17,400
Foreign exchange (gains) / losses (a)	(5,606)	93,136
Depreciation and amortisation	2,790	7,509
Impairment of Exploration costs	9,297	333,739
Reversal of provision for non-recovery of Hengda Deposit	-	(905,079)
Fair value Lind options	(28,029)	-

(a) **Unrealised foreign exchange gain**

The Company holds United States Dollars which have been revalued at the relevant foreign exchange rate at 30 June 2018 resulting in an unrealised foreign exchange gain.

NOTE 3 INCOME TAX

Accounting profit/(loss) before income tax	(1,305,622)	(1,696,620)
Tax at the Australian tax rate of 27.5% (2017: 27.5%)	(359,046)	(466,570)
Non-deductible expenses	180,814	62,397
Non-assessable income	(383,504)	-
Deferred tax assets not bought to account	561,736	507,547
Restatement to concessional corporate tax rate	-	(103,374)
Income tax expense/benefit	-	-
Deferred tax liability		
Research and development assets/exploration	2,871,885	3,417,195
Other temporary differences	15,824	-
	2,887,709	3,417,195
Offset of deferred tax assets	(2,887,709)	(3,417,195)
Net deferred tax liability recognised	-	-
Unrecognised deferred tax asset		
Capital losses	359,293	-
Tax losses	5,882,968	4,812,085
Other temporary differences	352,821	535,360
	6,595,082	5,347,445
Offset of deferred tax liabilities	(2,887,709)	(3,417,195)
Net deferred tax assets	3,707,374	1,930,250

	2018	2017
	$	$
NOTE 4 AUDITOR'S REMUNERATION		
BDO Audit (WA) Pty Ltd		
Remuneration paid or payable for:		
- auditing and reviewing the financial reports	44,500	-
Non audit services:		
- Technical advice including R&D claims – BDO Tax (WA) Pty Ltd	15,300	-
- Taxation services – BDO Tax (WA) Pty Ltd	32,795	-
Total auditors' remuneration	92,595	-
BDO Audit Pty Ltd		
Remuneration paid or payable for:		
- auditing and reviewing the financial reports	-	44,500
Non audit services:		
- Technical advice including R&D claims – BDO Audit Pty Ltd	-	13,000
- Taxation services – BDO Audit Pty Ltd	-	18,154
Total auditors' remuneration	92,595	75,654

NOTE 5 LOSS PER SHARE (LPS)

Loss from continuing operations	(1,305,622)	(1,543,677)
Loss from discontinued operations	-	(152,943)
Total loss for the year	(1,305,622)	(1,696,620)

	2018	2017
	#	#
Weighted average number of ordinary shares outstanding during the year	259,140,545	242,662,398
Weighted average number of dilutive instruments	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating LPS and dilutive LPS	259,140,545	242,662,398

NOTE 6 DIVIDENDS & FRANKING CREDITS

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

NOTE 7 CASH & CASH EQUIVALENTS

Cash on hand and at bank	7,361,880	1,856,812

	2018 $	2017 $
NOTE 8 TRADE & OTHER RECEIVABLES		
Current and non-current		
Other receivables	6,968	127,274
	6,968	127,274

NOTE 9 OTHER ASSETS		
Prepayments – Operations	-	5,815

NOTE 10 AVAILABLE-FOR-SALE FINANCIAL ASSETS

In December 2017 the Company sold most of its investment in Battery Minerals Resources Limited (unlisted) to third parties. The Company held 2,000 000 shares in Battery Minerals Resources Limited at an initial price of A$0.10 each. In June 2017, the shares were revalued at US$0.50 each. In December 2017, 1,900,000 shares were sold at US$0.50 each, resulting in a profit on disposal on disposal of $1,051,793. These shares represent Available-for-sale Financial Assets.

Unlisted ordinary shares	67,540	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	1,300,052	-
Sale of investment	(1,235,990)	200,000
Revaluation increment	3,478	1,100,052
	67,540	1,300,052

NOTE 11 EXPLORATION AND EVALUATION ASSETS

Exploration expenditure capitalised		
Balance at the beginning of the year	8,568,394	8,036,814
Exploration expenditure during the year	2,236,170	2,683,996
Asset reclassified as held for sale	-	(1,216,677)
Impairment of exploration assets	(9,297)	(333,739)
Research and development grants relating to exploration expenditure	(352,047)	(602,000)
	10,443,220	8,568,394

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.

NOTE 12 TRADE & OTHER PAYABLES

Trade & other payables		
Trade payables	322,009	218,030
Derivative liability (a)	-	28,029
Other payables and accrued expenses	26,159	78,458
	348,168	324,517

(a) Relates to Lind Options that were initially recognised at their fair value of $228,786 in accordance with the accounting policy in Note 1 (q) resulting in a closing value of $28,029 as at 30 June 2017. These have been revalued to $0 as at 30 June 2018.

NOTE 13 SHARE CAPITAL

	2018	2017
Fully paid ordinary shares	51,132,064	48,937,564

Ordinary Shares

	2018	2017	2018	2017
	#	#	$	$
At the beginning of the year	246,366,747	233,829,247	51,132,064	48,937,564
Employee Share Loan Scheme [1]	1,870,000	-	3,300	-
Treasury shares [2]	(15,000)	-	-	-
Employee share issue [3]	204,545	-	45,000	-
Exercise of options [4]	6,500,000	2,537,500	937,110	304,500
Share placement [5]	36,842,105	10,000,000	7,000,000	2,000,000
Share issue expenses		-	(299,540)	(110,000)
At reporting date	291,783,397	246,366,747	58,817,934	51,132,064

1 2018: 1,870,000 ordinary shares were issued under an employee share loan scheme, subject to vesting conditions. At 30 June 2018, vesting conditions on 30,000 of these shares were satisfied, resulting in $3,300 being paid to the company.

2 15,000 shares issued for employee share loan scheme were conceded and held by the company as treasury shares to be issued for future employee share loan schemes.

3 2018: 204,545 ordinary shares were issued at $0.22 to an employee under remuneration agreement.

4 2017: 2,537,500 ordinary fully paid shares were issued at $0.12 on the exercise of options.
2018: 250,000 ordinary shares were issued at $0.08 on the exercise of options. 3,000,000 ordinary shares were issued at $0.16162 on the exercise of options. 3,250,000 ordinary shares were issued at $0.133 on the exercise of options.

5 2017: 10,000,000 ordinary fully paid shares were issued at $0.20 through a share placement
2018: 36,842,105 ordinary fully paid shares were issued at $0.19 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:

2018			Movements				
Grant Date	Expiry Date	Exercise Price	1 July 2017	Issued	Exercised	Expired/ Lapsed	30 June 2018
3 March 2015	3 March 2018	$0.16162	3,000,000	-	(3,000,000)	-	-
14 March 2016	30 September 2017	$0.12	4,131,250	-	-	(4,131,250)	-
7 June 2016	11 November 2017	$0.08	300,000	-	(250,000)	(50,000)	-
30 November 2016	30 June 2018 (1)	$0.133	3,250,000	-	(3,250,000)	-	-
30 November 2016	30 June 2018 (1)	$0.133	1,250,000	-	-	(1,250,000)	-
22 December 2016	16 December 2019 (2)	$0.28	2,000,000	-	-	(2,000,000)	-
22 December 2016	16 December 2019 (2)	$0.40	2,000,000	-	-	(2,000,000)	-
22 December 2016	16 December 2019 (2)	$0.50	2,000,000	-	-	(2,000,000)	-
25 September 2017	16 October 2020 (3)	$0.15	-	8,282,500	-	(150,000)	8,132,500
25 September 2017	16 October 2020 (3)	$0.17	-	8,282,500	-	(150,000)	8,132,500
25 September 2017	16 October 2020 (3)	$0.20	-	8,282,500		(150,000)	8,132,500
	TOTAL		17,931,250	24,847,500	(6,500,000)	(11,881,250)	24,397,500
	Weighted average exercise price		$0.22	$0.17	$0.15	$0.26	$0.17

(1) Subject to vesting conditions.

(2) 6,000,000 options were issued under a Lead Manager Agreement with an expiry of 16 December 2019. The options were cancelled by mutual agreement.

(3) Subject to vesting conditions. Refer Note 16.

NOTE 13 SHARE CAPITAL (continued)

Options (continued)

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

(1) Subject to vesting conditions.

(2) 6,000,000 options were issued under a Lead Manager Agreement, with an expiry of 16 December 2019 and were exercisable as follows:

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

All 6,000,000 were cancelled by mutual agreement on 25 October 2017.

Refer Note 16 for further details.

Performance Rights

		Movements				
Grant Date	Issue Price	1 July 2017	Issued	Exercised	Expired/ Lapsed	30 June 2018
15 Feb 2018 (1)	$0.22	-	3,000,000	-	-	3,000,000
TOTAL		-	3,000,000	-	-	3,000,000

(1) Subject to vesting conditions. Refer Note 16.

	2018	2017
	$	$

NOTE 14 RESERVES

Options reserve	1,830,532	1,255,400
Share loan scheme reserve	65,709	
Available-for-sale reserve	57,540	1,100,052
Performance rights reserve	16,667	-
Foreign currency translation reserve	-	(30,920)
	1,970,448	2,324,532

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

Options reserve movements during the year		
Opening balance	1,255,400	88,628
Issue of options during year	575,132	1,166,772
Closing balance	1,830,532	1,255,400

Share loan scheme reserve
The reserve represents the value of shares issued to employees and directors under a share loan scheme.

Options reserve movements during the year		
Opening balance	-	-
Issue of loan scheme shares during year	65,709	-
Closing balance	65,709	-

Performance rights reserve
The reserve represents the value of performance rights issued to an employee in accordance with the employee's employment contract.

Options reserve movements during the year		
Opening balance	-	-
Issue of performance rights during year	16,667	-
Closing balance	16,667	-

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	1,100,052	-
Reversal on sale of financial assets	(1,045,990)	
Gain on revaluation of available-for-sale financial assets	3,478	1,100,052
Closing balance	57,540	1,100,052

	2018	2017
	$	$

NOTE 14 RESERVES (continued)

Foreign currency translation reserve
The reserve is used to record exchange differences arising on the translation of foreign controlled entity. 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	(30,920)	(14,520)
Currency translation differences arising during the year	30,920	(16,400)
Closing balance	-	(30,920)

NOTE 15 CASH FLOW INFORMATION

Reconciliation of loss after income tax to net cash outflow from operating activities		
Loss after income tax	(1,305,622)	(1,696,620)
Non-cash items in profit/(loss) after income tax		
Gain on sale of investment	(1,051,793)	
Depreciation	2,790	7,509
Unrealised FX loss (gain) on Hengda Deposit	-	93,136
Provision/ (reversal) for non-recovery of Hengda Deposit	-	(905,079)
Fair value (gain)/ loss on Lind options derivative liability	(28,029)	(143,759)
Profit on disposal of fixed asset	-	(23,436)
Loss from discontinued operations	-	152,943
Impairment of exploration assets	9,297	333,739
Share based payments	657,507	1,166,773
Change in operating assets and liabilities		
(Increase)/Decrease in receivables	67,969	(41,688)
(Increase)/Decrease in other assets	(75,074)	720
Increase/(Decrease) in trade payables and accruals	56,639	94,210
Increase/(Decrease) in employee entitlements	15,115	(19,322)
Net cash outflow from operating activities	(1,651,201)	(980,875)

NOTE 16 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 or other appropriate 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.

NOTE 16 SHARE BASED PAYMENTS (continued)

Options Issued in Current Period

Employee and Consultants Options (October 2017)

The following table lists the inputs to the model used in the valuation of the employee and consultants options granted in 2018:

	Tranche 1	Tranche 2	Tranche 3
Grant date	25 Sep 2017	25 Sep 2017	25 Sep 2017
Expected volatility	85%	85%	85%
Risk-free rate average	2.13%	2.13%	2.13%
Expected life (years)	3 years	3 years	3 years
Fair value (each)	$0.042	$0.039	$0.035
Number issued	8,282,500	8,282,500	8,282,500
Dividend yield	Nil	nil	nil
Exercise price ($)	$0.15	$0.17	$0.20
Share price at grant date ($)	$0.095	$0.095	$0.095
Total fair value	$347,865	$323,018	$289,888

Vesting conditions

Three tranches of options were granted on 25 September 2017, with an expiry of 16 October 2020, exercisable at 15 cents each, 17 cents each and 20 cents each respectively. Each tranche is subject to specific non-market related performance hurdles and market related vesting conditions based on the company's share price as approved by the Board and in the case of options issued to Directors, by shareholders. At 30 June 2018, 8,132,500 tranche 1 options had vested, 237,000 tranche 2 options had vested and 62,000 tranche 3 options had vested.

Employee incentive loan scheme shares (October 2017)

The following table lists the inputs to the model used in the valuation of the employee incentive shares granted in 2018.

	2018
Grant date	25 Sep 2017
Expected volatility	85%
Risk-free rate average	2.80%
Expected life (years)	10 years
Fair value (each)	$0.079
Number issued	1,570,000
Dividend yield	nil
Weighted average exercise price ($)	$0.11
Share price at grant date ($)	$0.095
Total fair value	$65,709

Vesting conditions

1,570,000 incentive shares under an employee share loan scheme were granted on 25 September 2017 with an issue price of $0.11 each. A material feature of the employee share loan scheme is the issue of shares may be undertaken by way of provision of a non-recourse, interest free loan with the whole amount becoming immediately due and payable following the 10th anniversary on the date on which the loan was made. For purposes of the valuation, it is assumed the probability of the performance criteria will be met within three year is 100%. 500,000 incentive shares relating to the Managing Director vested on issue. 1,070,000 incentive shares are subject to specific non-market related performance hurdles as approved by the Board and in the case of incentive shares issued to Directors, by shareholders. At 30 June 2018, 530,000 of the 1,070,000 shares had vested.

NOTE 16 SHARE BASED PAYMENTS (continued)

Employee incentive loan scheme shares (June 2018)

The following table lists the inputs to the model used in the valuation of the employee incentive shares granted in 2018:

	2018
Grant date	15 Feb 2018
Expected volatility	100%
Risk-free rate average	2.14%
Expected life (years)	10 years
Fair value (each)	$0.179
Number issued	300,000
Dividend yield	nil
Weighted average exercise price ($)	$0.22
Share price at grant date ($)	$0.20
Total fair value	$53,566

Vesting conditions

300,000 incentive shares under an employee share loan scheme were granted on 15 February 2018 with an issue price of $0.22 each with a deemed expiry of 7 June 2020 and are subject to specific non-market related performance hurdles.

Employee performance rights (June 2018)

The following table lists the inputs to the model used in the valuation of the employee performance rights granted in 2018 and 2017:

	2018
Grant date	15 Feb 2018
Expected life (years)	3 years
Fair value (each)	$0.20
Number issued	3,000,000
Share price at grant date ($)	$0.20
Total fair value	$600,000

Vesting conditions

Three tranches of 1,000,000 performance rights (3,000,000 total) were granted on 15 February 2018 with an issue price of $nil each with a deemed expiry of 7 June 2020 and are subject to specific non-market related performance hurdles. It is expected the probability of non-market conditions will be met within the next three years is 100%. The performance rights had not vested at 30 June 2018.

NOTE 16 SHARE BASED PAYMENTS (continued)

Options Issued Prior Period

Employee options (2017)

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

	2017
Expected volatility	100%
Risk-free rate average	1.60
Expected life (years)	1.72 years
Dividend yield	nil
Exercise price ($)	$0.25
Share price at grant date ($)	$0.24

Vesting conditions

Options issued on 30 November 2016, are exercisable at 13.3 cents each and expire on 30 June 2018, subject to specific non-market related performance hurdles and market related vesting conditions based on the company's share price as approved by the Board and in the case of options issued to Directors, by shareholders. The options had not vested at 30 June 2017.

Lead manager options (2017)

The following table lists the inputs to the model used in the valuation of the consultant options granted in2017:

	2017
Expected volatility	80%
Risk-free rate average	3.0
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 had not occurred and as a result the full valuation of these was expensed in the 30 June 2017 year. The value of the service was unable to be determined.

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:

	2018 $	2017 $
Options and loan scheme shares issued to directors, employees and consultants	657,507	445,654
	657,507	448,654

	2018 $	2017 $
Options issued to lead manager	-	721,119
	-	721,119

These amounts are disclosed as share based payment expenses in the consolidated statement of comprehensive income. Have advised they have

NOTE 17 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	2018 $	2017 $
Short-term benefits	599,603	473,694
Long-term benefits	10,416	46,654
Post-employment benefits	34,166	32,895
Termination benefits	-	-
Share-based payments	672,804	420,548
	1,316,989	973,791

Detailed remuneration disclosures are provided in the Remuneration Report on pages 20 to 28.

Transactions with Related Parties

Drumrock Capital, an entity associated with Charles Whitfield, provided consulting services totaling $84,160 (2017: $14,160) to the Company during the year.

NOTE 18 FINANCIAL RISK MANAGEMENT

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

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

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

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

(a) Credit Risk

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

The maximum exposure to credit risk at balance date in relation to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. There is no collateral held as security at 30 June 2018.

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.

	2018 $	2017 $

NOTE 18 FINANCIAL RISK MANAGEMENT (continued)

Maximum exposure to credit risk

Non-trade receivables	6,968	138,724
Cash and cash equivalents	7,361,880	1,856,812
	7,368,848	1,995,536

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

Ageing of receivables

Not past due	6,968	138,724
Past due 0-90 days	-	-
Past due >90 days	-	-
Impaired	-	-
	6,968	138,724

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

At beginning of the year	-	2,693,241
Provision for impairment recognised during the year	-	(905,079)
Receivables written off during the year as uncollectible	-	(1,788,162)
At end of the year	-	-

2017: In 2017 the Hengda Deposit was 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 which has a credit rating of AA-.

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

(b) Liquidity risk

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

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

The table below reflects the contractual maturity of fixed and floating rate financial liabilities. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2018. The amounts disclosed represent undiscounted cash flows.

NOTE 18 FINANCIAL RISK MANAGEMENT (continued)

	2018 $	2017 $
The remaining contractual maturities of the financial liabilities are:		
Less than one year		
Trade and other payables	312,430	324,517

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 statement of financial position date.

At 30 June 2018, 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)	
	2018 $	2017 $	2018 $	2017 $
+1.00% (100 basis points)	73,619	18,568	73,619	18,568
-1.00% (100 basis points)	(73,619)	(18,568)	(73,619)	(18,568)

NOTE 18 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 2018, the Consolidated Entity had the following exposure to foreign currency:

	2018 $	2017 $
Financial Assets:		
Cash – US Dollar	214,260	-
	-	-

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 statement of financial position date:

Judgments of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2018 $	2017 $	2018 $	2017 $
+10.00%	(19,478)	-	(19,478)	-
-10.00%	23,806	-	23,806	-

(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 capital structure can be found in Note 13. There are no externally imposed capital requirements. The Board effectively manages the Consolidated Entity's capital by assessing the Consolidated Entity's financial risks and adjusting its capital structure in response to changes in these risks and the market.

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

(e) Fair Values

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

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

NOTE 19 SEGMENT REPORTING

Reportable Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, being the Managing Director. Following the disposal of Won Kwang Inc. (South Korea), there is only one segment in 2018, which pertains to exploration for minerals in Australia. Accordingly, the financial statements reflect the segment data in 2018.

NOTE 19 SEGMENT REPORTING (continued)

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:			
Trade and other receivables	-	127,274	127,274
Plant and equipment	-	3,651	3,651
Exploration expenditure	-	8,568,394	8,568,394

NOTE 20 FAIR VALUE MEASUREMENT

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

- Available-for-Sale financial assets

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 2018				
Assets				
Available-for-Sale financial assets	67,540	-	-	67,540
	67,540	**-**	**-**	**67,540**
Liabilities				
Derivative liability	-	-	-	-
	-	**-**	**-**	**-**
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**

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

Disclosed fair values
2017: 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 20 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

	2018 $	2017 $
Balance at the beginning of the year	28,029	171,788
Fair value movements	(28,029)	(143,759)
	-	28,029

NOTE 21 COMMITMENTS

Operating leases		
Minimum lease payments:		
Payable within one year	27,500	7,909
Payable within one year and five years	33,000	-
Payable later than five years	-	-
Total contracted at balance date	60,500	7,909

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.

Exploration obligations to be undertaken:		
Payable within one year	832,015	872,520
Payable between two and five years	494,165	1,563,525
	1,326,180	2,436,045

NOTE 22 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

NOTE 23 EVENTS AFTER END OF FINANCIAL YEAR

On 27 March 2018, the company announced it had entered into a binding Heads of Agreement with Mineral Resources Limited (MRL) covering the development of Stage 1 of the McIntosh Graphite Project (Project). Under the agreement, Hexagon and MRL will establish an unincorporated joint venture, with Hexagon and MRL respectively holding a 49% and 51% participating interest. Hexagon shareholders approved the transaction on 14 May 2018 (the Effective Date). Under the arrangement from the Effective Date, MRL will fund all project exploration and development with a view to:

- completing all feasibility studies within 18 months;
- making a decision to mine within 24 months; and
- will target completion of project development activities and commercial production of graphite concentrate within 36 months.

As at the date of this report, the Joint Venture agreement and other related agreements had not been executed and the 51% interest in the McIntosh tenements had not been assigned to the Joint Venture partner. Completion of these activities is expected in the near term.

NOTE 24 PARENT ENTITY INFORMATION

	2018 $	2017 $

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

Parent Entity Financial Information		
Current assets	7,361,898	1,989,901
Non-current assets	10,540,742	9,883,547
Total assets	17,902,640	11,873,448
Current liabilities	348,168	345,140
Non-current liabilities	-	-
Total liabilities	348,168	345,140
Net assets	17,554,472	11,528,308
Issued capital	58,817,934	51,132,064
Reserves	1,970,448	2,355,452
Accumulated losses	(43,233,910)	(41,959,208)
Total equity	17,554,472	11,528,308
Loss after income tax	(1,305,622)	(1,649,445)
Other comprehensive income	(1,014,592)	1,100,052
Total comprehensive income	(2,320,214)	(549,393)

Commitments, Contingencies and Guarantees of the Parent Entity

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

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

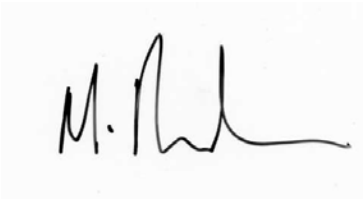
Controlled Entities of the Parent Entity	Percentage Owned		Country of Incorporation
	2018 %	2017 %	
Halls Creek Resources Pty Ltd	100%	100%	Australia
McIntosh Resources Pty Ltd	100%	100%	Australia
Advanced Particle Group Pty Ltd	100%	100%	Australia
Hexagon Graphite Pty Ltd	100%	100%	Australia
Hexagon Graphene Pty Ltd	100%	100%	Australia

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements, comprising the consolidated statement of comprehensive income, consolidated statement of financial position, 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 2018 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 20 to 28 of the directors' report (as part of audited Remuneration Report), for the year ended 30 June 2018, 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
27 September 2018

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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 statement of financial position as at 30 June 2018, 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 2018 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.

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.

Capitalised Exploration & Evaluation Expenditure

Key audit matter	How the matter was addressed in our audit
The carrying value of exploration and evaluation expenditure represents a significant asset of the Group and judgement is applied in considering whether facts and circumstances indicate that the exploration expenditure should be tested for impairment. As a result, the asset was required to be assessed for impairment indicators in accordance with AASB 6: *Exploration for and Evaluation of Mineral Resources*. In particular whether facts and circumstances indicate that the capitalised exploration and evaluation expenditure should be tested for impairment. Refer to note 1 and note 11 of the financial report for a description of the accounting policy, the significant estimates and judgements and disclosures applied to exploration and evaluation assets.	Our procedures included, but were not limited to: • obtaining a schedule of areas of interest held by the Group and assessing whether the Group had rights to tenure over those areas of interest by comparing the schedule to supporting documentation including tenement licenses; • holding discussions with management with respect to the status of ongoing exploration programmes in the respective areas of interest and assessing the Group's cash flow budget for the level of budgeted spend on exploration projects; • considering whether any areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; • considering whether any other facts or circumstance existed to indicate impairment testing was required; and • assessing the adequacy of the related disclosures in note 1 and note 11 to the financial report.

Measurement of Share Based Payments

Key audit matter	How the matter was addressed in our audit
During the financial year ended 30 June 2018, the Group issued shares, incentive options, employee share loans and performance rights to key management personnel and employees, which have been accounted for as share based payments. Refer to note 1 and note 16 of the financial report for a description of the accounting policy and the significant estimates and judgements applied to these arrangements. Share-based payments are a complex accounting area and due to the complex and judgemental estimates used in determining the fair value of the share-based payments in accordance with AASB 2: *Share Based Payments*, we consider the Group's calculation of the share-based payment expense to be a key audit matter.	Our procedures included, but were not limited to: • reviewing relevant supporting documentation to obtain an understanding of the contractual nature and terms and conditions of the share based payment arrangements; • reviewing the Group's determination of the fair value of the share-based payments granted, considering the appropriateness of the valuation methodology used and assessing the inputs in conjunction with our valuation specialists; • assessing the Group's determination of achieving non-market vesting conditions; • assessing the allocation of the share-based payment expense over the Group's expected vesting period; and • assessing the adequacy of the related disclosures in note 1 and note 16 to the financial report.

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 2018, 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.

Other Matter

The financial report of the Group for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on that financial report on 27 September 2017.

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 20 to 28 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Hexagon Resources Limited, for the year ended 30 June 2018, 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 (WA) Pty Ltd

BDO

JPrue

Jarrad Prue

Director

Perth, 27 September 2018

CORPORATE GOVERNANCE STATEMENT AS AT 30 JUNE 2018

The Company's Corporate Governance Statement for the year ended 30 June 2018 (which reports against the third edition of the ASX Corporate Governance Council's Principles and Recommendations) may be accessed from the Company's website at;

https://hexagonresources.com/company/corporate-governance/

ADDITIONAL STOCK EXCHANGE INFORMATION

DISTRIBUTION OF NUMBER OF HOLDERS OF EQUITY SECURITIES AS AT 2 OCTOBER 2018

Number of Securities Held	Ordinary shares fully paid No. of holders
1 to 1,000	55
1,001 to 5,000	279
5,001 to 10,000	319
10,001 to 100,000	777
100,001 and over	291
	1,721
Number of shareholders holding less than a marketable parcel of shares	201

TWENTY LARGEST HOLDERS OF EACH QUOTED SECURITY

Rank	Name	Balance	% Held
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	23,960,789	8.21
2	CITICORP NOMINEES PTY LIMITED	22,338,105	7.66
3	UBS NOMINEES PTY LTD	17,572,282	6.02
4	MINERAL RESOURCES LIMITED	10,526,316	3.61
5	INVESTORLINK GROUP LIMITED	9,405,275	3.22
6	FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	9,127,649	3.13
7	J P MORGAN NOMINEES AUSTRALIA LIMITED	7,264,714	2.49
8	MR ROBERT SIMEON LORD	7,010,000	2.40
9	PATHFINDER EXPLORATION PTY LTD	6,800,301	2.33
10	CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	5,316,382	1.82
11	MASFEN SECURITIES LIMITED	3,421,053	1.17
12	MR ANTHONY LIONEL PATTERSON <PATTERSON FAMILY A/C>	3,366,666	1.15
13	MR RICHARD HOPETOUN BITCON	3,100,000	1.06
14	NORVALE PTY LTD	3,040,738	1.04
15	ONE MANAGED INVESTMENT FUNDS LIMITED <TECHNICAL INVESTING ABSOLUTE RETURN A/C>	3,009,333	1.03
16	SCHENK INVESTMENTS PTY LTD <SCHENK SUPERFUND A/C>	3,000,000	1.03
17	MR ANDREW MURRAY GREGOR	2,552,400	0.87
18	MRS MIN YOUNG KANG	2,492,643	0.85
19	COLENEW PTY LIMITED <PAUL XIRADIS ACCOUNT>	2,280,000	0.78
20	OCEANWIDE SECURITIES COMPANY LIMITED	2,258,169	0.77
		147,842,815	50.67

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
Tribeca Investment Partners Pty Limited	37,145,667 (12.73%)

HEXAGON
resources limited

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