HEXAGON
resources limited
ABN 27 099 098 192

ANNUAL REPORT
2018/19

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CORPORATE DIRECTORY

Board of Directors

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

Officers of the Company

Rowan Caren - Company Secretary
Michael Chan - Chief Development Officer
Lianne Grove - Chief Commercial Officer

Registered Office & Principle Place of Business

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Domicile and Country of Incorporation

Australia

Australian Business Number

27 099 098 192

Auditors

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38 Station Street
Subiaco WA 6008
Website: www.bdo.com.au

Share Registry

Automic Pty Ltd
Level 5, 126 Phillip Street
Sydney NSW 2000
Website: www.automic.com.au

Securities Exchange

Australian Securities Exchange Limited (ASX)
Home Exchange - Perth
ASX Code - HXG (Ordinary Shares)

CHAIRMAN'S LETTER

Dear fellow Shareholders,

The past year has been one of change in the dynamic battery and energy-materials sector. All of the primary materials suppliers have had to react to a fast-changing environment in this developing industry. While the fundamentals of the growth across the sector remain intact, an oversupply from the mining sector has seen prices for raw materials across all the battery elements retrace. Nevertheless, the prices for the downstream product has changed little and companies that have pursued an integrated approach to their value chain have prospered. Fortunately, a couple of years ago we identified that understanding the needs of our customers and specifically the ultimate users of graphite and specialty materials was the key to building a successful business in this space. Furthermore, having business interests in the downstream helps to insulate the Company from the current cyclicality in the space. We believe more than ever that this is the case and while we see dynamic conditions at present, everything that we see occurring in the market reinforces our view and belief in that strategy. To this end, the past year has seen Hexagon grow its focus on the downstream business aiming to produce high-specification materials for energy storage, sophisticated technology and high-end industrial uses, with exciting developments.

Our other major priority has been to find ways that the company can find a path to be profitable and cash flow positive as soon as possible. To this end, the initiatives in the downstream are all capable of bringing the company into profitability of their own accord.

As we have communicated with investors, while, we have continued to develop the McIntosh flake graphite project in northern WA in conjunction with joint venture partner Mineral Resources Limited (ASX: MIN), we have put a large focus on exploring the viability of our downstream processing strategy. This included a Scoping Study, completed in May 2019[1], being the first time that we have examined financial outcomes and margins of our potential downstream business, testing the suitability of processing flake graphite from a range of feedstock sources, hopefully to include McIntosh, for a diverse range of premium end-use applications. The study, provided an examination of our plans, sufficiently detailed to highlight opportunities and risks on the path to developing a Graphite Purification and Processing Plant (GPPP). The Scoping Study outlined high operating margins of about 50 per cent, and a strong internal rate of return (IRR), on a pre-tax basis ranging from 41 to 60 per cent, supporting a Net Present Value of A$0.9 to A$1.2 billion, dependent on different scenarios. These results were very positive, with this first study demonstrating a very exciting business opportunity, and the study allows us to plan for the challenges in executing it.

During the work on the scoping study, we spent a lot of effort understanding the growing western markets for battery and technical materials. As a result of this, our focus on the United States has grown over the past 18 months as we recognise it as a premium market for graphite and other energy materials. This increased focus has been enabled by the close relations developed with our US based technical partners and newly appointed consultants collaborating on our graphite strategy. We've identified specific market opportunities in the US with a lack of concentrated supply and domestic natural flake graphite production, and this led us to acquire an 80 per cent interest in Charge Minerals, which has the Ceylon Graphite Project in Alabama, centred on the historic Ceylon Graphite Mine. The activities in Alabama are an entry into the broader US battery materials supply chain.

More recently, we've been exploring the possibility of expanding our focus from graphite to include a wider suite of energy/critical materials, particularly for the US market. Hexagon's management team has significant experience in developing a range of specialty materials projects, and our growing interest and discussions in the US has underlined the need for sustainable supply thematic of "critical minerals" such as battery-grade graphite, lithium, cobalt and rare-earth elements (REEs). The Company is actively evaluating several opportunities to broaden its exposure in the wider energy-materials sector, and we plan to progress this strategy before the end of CY2019. The proposed change of company name to Hexagon Energy Materials Limited reflects that broader focus.

As we have reported previously there is going to be a delay to the progress of the Feasibility Study for the McIntosh Joint Venture. It is disappointing but given the disruptions in the global graphite concentrates market and the need to get our process flow sheets thoroughly tested this is a prudent approach. How this will be structured or what form it will take is still a matter of discussion between the joint venture parties and we will provide updates as we get certainty.

Hexagon remains well-funded for its activities for the year ahead, with a strong cash position of more than $4.2 million at the end of FY 2019, enough for our "base case" 2020 financial year work program and budget. We will continue to work on our strategies to rapidly deliver positive cash flow, and value for our Shareholders.

In this especially trying year for the specialty materials sector, I would like to thank our Shareholders for their continued support and confidence in our Company to achieve its objectives. I also thank Hexagon's management team, particularly Managing Director Mike Rosenstreich for his unwavering commitment to the Company, as well as our staff for their efforts over the past year and my fellow Directors for their contributions.

With all the hard work put in I believe the year ahead will start to repay that effort and be exciting as we pursue several opportunities in our downstream strategies while the upstream continues to evolve, I look forward to speaking to many of you directly over the coming 12 months with concrete results and a roll out of our strategy.

Charles Whitfield
Non-Executive Chairman

[1] Refer ASX Report 18 May 2019 "Positive Scoping Study for Downstream Processing"

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 2019.

1. 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:

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

2. INFORMATION ON THE BOARD 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 pre-eminent 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	None
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.

DIRECTORS' REPORT

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) – Resigned 16 April 2018
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	Executive Director of Fenix Resources Limited
Former directorships in last 3 years	None
Special responsibilities	None
Interests in shares and options	Indirect - Ordinary shares - 1,000,000 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.

3. INFORMATION ON THE OFFICERS OF THE COMPANY

Rowan Caren
Company Secretary (Appointed 18 September 2017)

Mr Caren is a highly experienced Company Secretary and qualified Chartered Accountant. He was employed by the chartered 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).

Michael Chan
Chief Development Officer (Appointed 21 May 2018)

Mr Chan was the General Manager – Project Development for Syrah Resources Ltd, with prime responsibility for bringing the Balama Graphite Project from an exploration target to an emerging, significant graphite concentrate producer. Prior to joining Syrah Resources, Mr Chan spent 30 years developing innovative process flow sheets and product market development to commercialise a range of specialty and advanced metals including graphite, rare earths, vanadium, tungsten, titanium and base metals.

Mr Chan holds a Bachelor of Science (Hons) in Minerals Engineering from the University of Birmingham, England, is a member of the Australian Institute of Mining and Metallurgy and is a Chartered Engineer (Council of Engineering Institution, London). Michael is also multi-lingual with fluency in Mandarin and Malay languages as well as native fluency in English.

Lianne Grove
Chief Commercial Officer (Appointed 3 September 2018)

Ms Grove is an experienced Certified Practicing Accountant (CPA) and senior finance executive with a wealth of commercial and finance experience and a strong track record in the development and implementation of business strategy, joint venture management and project planning and execution which is instrumental in supporting the commercialisation of Hexagon's graphite resources and processing technology.

Prior to joining Hexagon she held various senior positions in a number of Australian and international companies predominantly in mining and oil and gas, including AWE and Rio Tinto.

Lianne holds a Bachelor of Commerce from the Australian National University, is a Certified Practicing Accountant and member of the Australian Institute of Company Directors.

4. MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2019 and the number of meetings attended by each Director.

Directors	Meetings attended	Eligible to attend
Charles Whitfield	6	6
Mike Rosenstreich	6	6
Garry Plowright	6	6

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

5. 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 has prepared a consolidated financial report encompassing the entities that it controlled during the financial year (refer note 23).

6. NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

Hexagon Resources aims to become a producer of high value specialty materials for the battery and related technical industrial sectors and has been engaged in building a foothold in the North American market material processing industry while continuing to advance technical work on its upstream mineral resources at Mcintosh in Western Australia and Ceylon Graphite Project in Alabama, USA.

7. 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.

8. CURRENCY

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

9. DIVIDENDS

No dividends were paid during the financial year ended 30 June 2019 (2018: nil) and no dividend is recommended for the current year.

10. FINANCIAL REVIEW

For the year ended 30 June 2019, the loss for the Consolidated Entity after providing for income tax was $2,050,422 (2018: loss of $1,305,622).

The Company received a research and development income tax concession of $329,349 (2018: $411,423) during the year which was offset against capitalised exploration expenditure.

At 30 June 2019 the Company had 291,783,397 ordinary shares, 24,397,500 options and 4,600,000 performance rights on issue.

The Consolidated Entity's main expenses were as follows:

	30-Jun-19	30-Jun-18
	$	$
Personnel expenses and director fees	556,880	384,726
Corporate and administration expenses	1,058,308	1,345,092
Share based payment expense	542,586	657,507
Impairment of exploration assets	-	9,297

Cashflows

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

	30-Jun-19	30-Jun-18
	$	$
Receipts:		
Receipt of government grant in relation to exploration assets	329,349	411,423
Proceeds on sale of investments	-	1,241,793
Proceeds from issue of shares	39,916	7,685,870
Expenditures:		
Payments relating to the exploration and evaluation of projects	(1,998,925)	(2,166,252)
Payments to suppliers and employees (1)	(1,622,971)	(1,656,773)

(1) Employee payments that relate specifically to the Company's projects are included in "Payments relating to the exploration and evaluation of projects".

11. CORPORATE

Management Changes

On 3 September 2018 Ms Lianne Grove was appointed Chief Commercial Officer to strengthen the team with added commercial skills to implement Hexagon's commercialisation strategy.

On 11 March 2019 Cherie Leeden was appointed a Director of Charge Minerals LLC (CML) to assist in the development and growth of CML's assets in the US and to contribute to Hexagon's broader graphite marketing efforts. Cherie brings a wealth of commercial and technical graphite experience as the founder and former Managing Director of African graphite development company, Battery Minerals Ltd.

On 19 August 2019, the Company appointed highly credentialled energy-materials expert, Dr. Gareth Hatch as Senior Strategic Technical Advisor to help guide the battery-graphite development program and to assist in the assessment of new downstream energy-materials opportunities.

Mr Michael Chan, Chief Development Officer has resigned effective 30 September 2019. He has agreed to provide metallurgical consulting services as requested. Replacement technical expertise has been retained in the US.

Capital Structure

On 4 February 2019, 1,600,000 Performance Rights were issued to the Chief Commercial Officer. Each performance right will convert into one ordinary share subject to vesting conditions. The rights will vest upon satisfaction of performance hurdles.

As at 30 June 2019, Hexagon had on issue 291,783,397 fully paid ordinary shares, 24,397,500 million unlisted options, 4,600,000 employee incentive Performance Rights and 1,716 shareholders.

12. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Company entered into a Joint Venture Agreement with Mineral Resources Limited in November 2018. Refer McIntosh Flake Graphite Project section of this report for details.

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

13. LIKELY DEVELOPMENTS AND FUTURE OPERATIONS

The Company plans to continue its business development activities focused on the downstream processing of graphite and other energy materials, specifically:

- Develop and implement a comprehensive battery graphite testing and qualification regime for its own sourced concentrates and a variety of commercially available graphite precursors; and
- Evaluate strategic acquisitions of aligned graphite or energy materials business which provide faster pathways to cash flow.

Work on the upstream graphite assets, the McIntosh Joint Venture and the Alabama graphite prospects, will be directed towards flow sheet design.

The Company plans to undertake an exploration program comprising aeromagnetic survey and ground based follow up of targets at its Halls Creek gold project.

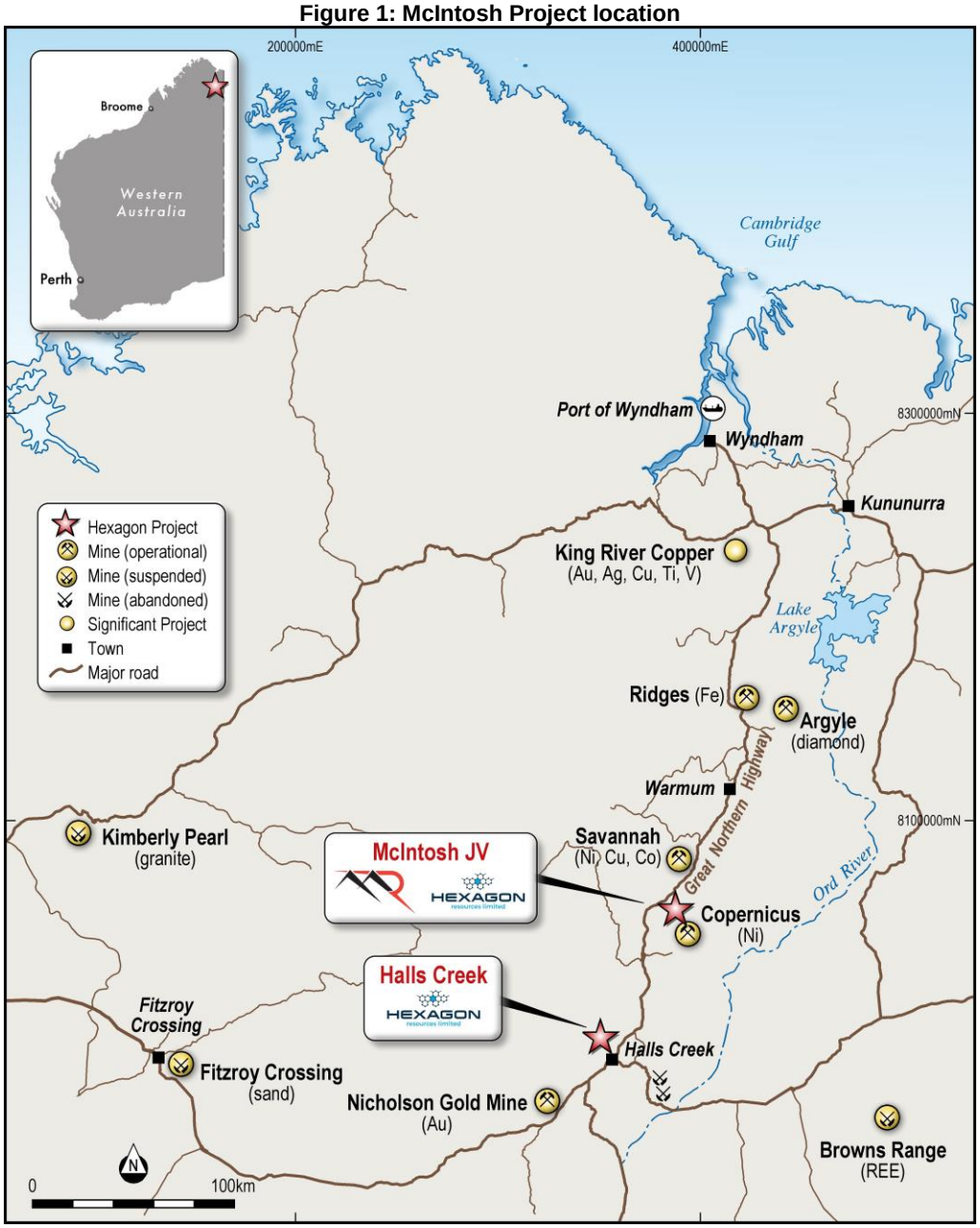
14. REVIEW OF OPERATIONS

Upstream Operations

McIntosh Joint Venture (MJV) Project (51% Mineral Resources Limited: 49% Hexagon)

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

Figure 1: McIntosh Project location



Hexagon signed a binding Heads of Agreement with Mineral Resources Limited ("MinRes", ASX: MIN) whereby Stage 1 of development of its McIntosh Project is fully funded, subject to a positive feasibility study (FS) outcome, as approved by Hexagon shareholders in May 2018. A Joint Venture Agreement (JVA) between the two companies was executed in November 2018, however MinRes has managed the project since Hexagon shareholder approval on 14 May 2018.

Under the Heads of Agreement, Hexagon and MinRes established an unincorporated joint venture following confirmation that MinRes had completed its initial farm-in expenditure of $300,000 on 28 September 2018, with Hexagon and MinRes respectively holding a 49% and 51% participating interests.

MinRes' further obligations under the MJV are to:

- Undertake a Feasibility Study (originally 18 months from the date of Shareholder approval (the Effective Date) i.e. 14 November 2019*;
- Commence activities for the development of the McIntosh project within 24 months of the Effective Date; and
- Complete project development activities and achieve commercial production of graphite concentrate within 36 months of the Effective Date.

** At the date of this report, as reported previously there will be a delay to the progress of the JV. How this will be structured or what form it will take is still a matter of discussion between the joint venture parties.*

Drilling
MinRes completed its initial drilling program at McIntosh in the December quarter, having approved an initial budget to allow for a comprehensive drilling program of ~12,000 metres, as part of the McIntosh Feasibility Study (FS). This drilling returned initial positive results, including at the Emperor Mineral Resource, where graphite mineralisation was intercepted at shallower depths than expected and thick zones of graphite mineralisation were intersected at the Mahi Mahi target. The drilling program also generated samples for metallurgical testing to verify and optimise the Stage 1 upstream flowsheet and produce graphite concentrate for downstream testing.

MinRes completed 10,673m drilling at McIntosh in 2018 as part of MJV requirements focusing on:

- Two Mineral Resource areas; Emperor and Wahoo, to collect metallurgical samples and increase confidence in those resources; and
- Testing two exploration prospects, Mahi Mahi and Threadfin.

Notable mineralised intercepts included:

Emperor

- 8m at 9.1% TGC from 140m down hole (ERD021)
- 18m at 7.3% TGC from 113m down hole (ERD020)
- 53m at 6.2% TGC from 138m down hole (ERD016)

Wahoo

- 6m at 6.6% TGC from 69m down hole (WRC009)
- 6m at 6.4% TGC from 50m down hole (WDD023).

Metallurgical Testwork
Drilling generated 12 tonnes of additional drill core sample for pilot scale test work to optimise the flow sheet and generate samples for marketing and downstream test work.

Hexagon focused more effort on characterising the flake size distribution for each deposit. Flake size distribution estimates by Hexagon are based on 60 slides from Emperor to determine petrological flake size estimates; and a 2.8kg concentrate sample (HXGCon1) generated from a 200kg composite of drill core samples from Emperor.

Petrological data represents what is available in the rock and hence is important for resource modelling and estimating the in-situ ore value. Concentrate data, generated by lab-scale batch tests, represents what *might* be achieved through a process plant. The majority of Hexagon's earlier flotation test work focused on a high-grade, finer flake sized concentrate as specified for lithium-ion BAM feedstock and generation of a fine-medium flake size dominated concentrate.

With the new understanding of McIntosh's natural, larger flake size endowment, and consistent with the Company's objective of targeting a more diverse concentrate product mix, metallurgical test work has focused on lower energy, gentle grinding to achieve coarse flake preservation.

MinRes commenced a similar dual "from the rock" and "from the plant" test work approach, with:

- A new petrological technique being employed to re-estimate the in-situ flake endowment;
- Supplemented with MLA (Mineral Liberation Analysis) tests from drill core samples; and
- A series of preliminary sighter tests involving one Rougher one Cleaner flotation stage at different P80 grind sizes to assess the optimum grade/recovery and flake size preservation in the final concentrates.

These results were inconclusive, and Hexagon commissioned further testwork at a research facility in China which has experience in a wide spectrum of graphite processing, from initial concentration to downstream purification, micronising and spheroidising. The objective was to use an experimentally determined optimum P80 primary grind and gentler regrinding methods through additional cleaner stages to preserve flake size and produce commercial (+94% TGC) concentrates. This work is planned to be completed in September 2019.

Mineral Resource Estimate Update
In April, MinRes completed a revised Mineral Resource estimate for the McIntosh project (Table 1). The revised estimate increased McIntosh's contained graphite by 12% while material classified as Indicated (rather than Inferred) increased by 42% (Table 2).

As a result of the update, the project has a combined Mineral Resource of 23.8 million tonnes grading 4.5% Total Graphitic Carbon (TGC).

Table 1: McIntosh Flake Graphite Project Mineral Resource as at March 2019 reported by deposit and above a 3% TGC cut-off grade Deposit

Deposit	JORC Classification	Tonnes (Mt)	TGC %	Contained Graphite (Kt)
Emperor	Indicated	12.1	4.28	518
	Inferred	3.8	4.35	165
	Total	*15.9*	4.30	684
Wahoo	Indicated	1.3	3.97	51
	Inferred	-	-	-
	Total	*1.3*	3.97	51
Longtom	Indicated	5.1	4.93	253
	Inferred	0.8	5.25	40
	Total	*5.9*	4.97	293
Barracuda	Indicated	0.7	4.40	32
	Inferred	-	-	-
	Total	*0.7*	4.40	32
Total	**Indicated**	**19.2**	**4.44**	**854**
	Inferred	**4.6**	**4.50**	**206**
	Total	**23.8**	**4.45**	**1,060**

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

Table 2: Comparison to previous Mineral Resource estimate

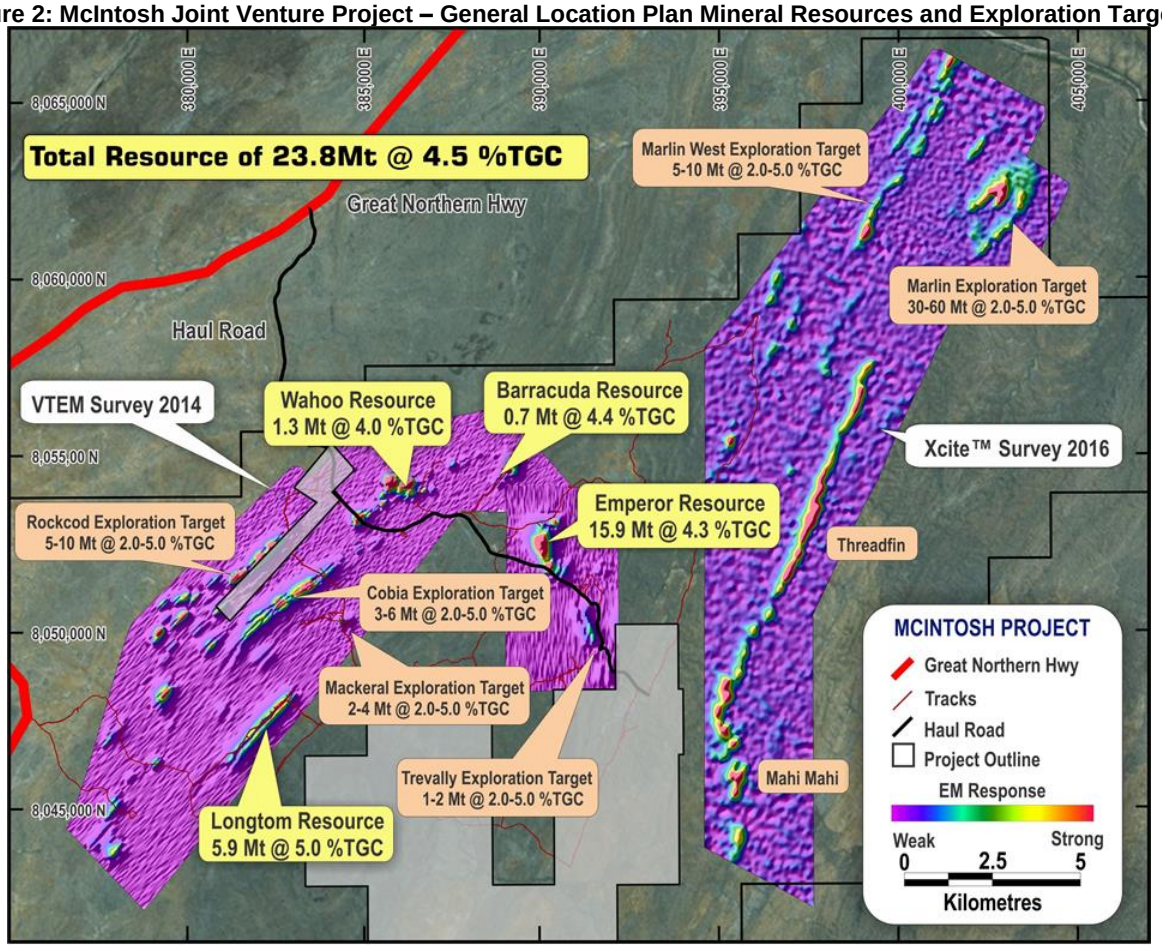
Deposit	Resource Class	Change in tonnes	Change in TGC
Emperor	Indicated & Inferred	18.7%	-1.6%
Wahoo	Indicated & Inferred	-23.3%	-4.6%
Barracuda	Indicated & Inferred	-1.3%	-0.2%
Longtom	Indicated & Inferred	7.3%	-0.8%
Total		**11.7%**	-0.8%

The revision was based on additional drilling results from:

- 2018 drilling comprising 10,683 metres of combined diamond core and reverse circulation drilling undertaken by MinRes at Emperor, Wahoo and Mahi Mahi; and
- 2017 drilling comprising 2,306 metres of combined diamond core and reverse circulation drilling undertaken by Hexagon at Barracuda and Longtom.

The location of Mineral Resources and targets is presented in Figure 2.

Figure 2: McIntosh Joint Venture Project – General Location Plan Mineral Resources and Exploration Targets



Exploration Target Update
Hexagon updated its Exploration Target estimate for the McIntosh Flake Graphite Project to account for drilling results received during the year, as summarised in Table 3.

Table 3: McIntosh Flake Graphite Project – Exploration Target Estimate

Prospect	Tonnage Range		Grade Range
	Minimum	Maximum	(%TGC)
Emperor[1]	2	4	4.0 – 5.0
Wahoo[1]	1	2	4.0 – 5.0
Barracuda[1]	1	2	4.0 – 5.0
Cobia	3	6	2.0 – 5.0
Marlin	30	60	2.0 – 5.0
Marlin West	5	10	2.0 – 5.0
Rockcod	5	10	2.0 – 5.0
Mackerel	2	4	2.0 – 5.0
Trevally	1	2	2.0 – 5.0
Total	**50**	**100**	**2.0 – 5.0**

Note[1]: This estimate is in addition to tonnes in the current defined Mineral Resources reported above.

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 as determined by JORC 2012 guidelines. The revised Exploration Target was reported by Hexagon to ASX on 1st April (and resubmitted 5 April) 2019 in accordance with the JORC Code 2012 Edition. Hexagon confirms that it is not aware of any new information that materially affects the Exploration Target included in that ASX announcement and that all material assumptions and technical parameters underpinning the Exploration Target continue to apply and have not materially changed.*

Drilling at Mahi Mahi intersected significant widths of mineralisation as modelled in Hexagon's original Exploration Target, but the flake size endowment was found to be predominantly very fine (<75 microns) which requires further marketing work to ascertain the sales opportunities for graphite with this particle size distribution, if any. Consideration of this and other factors led Hexagon to review all McIntosh Exploration Targets and subsequently the Mahi Mahi and Threadfin prospects were removed from the Exploration Target pending this additional work. Other prospects such as Mackerel and Cobia were revised and Marlin West added based on improved geological confidence, including petrological data from surface samples with flakes exceeding 500 microns in length observed.

This review process generated nine targets for high-priority follow-up exploration as presented in Figure 2, with an estimated 1 to 5 million tonnes of contained graphitic carbon in addition to the 1.1 million tonnes already delineated in updated Indicated and Inferred Mineral Resources.

Feasibility Study
Key elements to completing a feasibility study include field activities such as water and geotechnical drilling as well as study inputs such as detailed engineering, detailed mine optimisation studies and scheduling, environmental management and concentrate offtake. These activities are currently on hold pending the outcomes of the metallurgical testwork which will generate important inputs into these tasks.

Downstream Operations

Advanced Particle Business (100% Hexagon)
In addition to its JV with Mineral Resources, Hexagon is focused on the value-adding, downstream processing of graphite concentrates. It is pursuing opportunities to supply the energy storage sector, advanced technologies and established industrial applications: all at the high-specification, premium priced end of the market. For graphite transformation it has referred to this strategy as the "Advanced Particle Business".

The core stages of graphite transformation examined by Hexagon comprise purification, shaping (or spheroidisation), micronisation and product classification for battery anode, conductivity enhancement and other industrial applications. Some testwork was also completed on expanding larger flake material.

Purification
In the December quarter, Hexagon reported results from follow-up purification test work on a large-scale, 19.5kg (43lb) graphite sample from McIntosh which returned ultra-high purity, up to "five nines" (99.999%) graphite results. This further confirmed Hexagon's downstream graphite strategy focused on low-cost purification targeting high-end specialty markets. The test work also confirmed virtually no notable concentrations of critical elements potentially deleterious to advanced batteries and to several other high-tech applications.

Hexagon's US-based technical partner NAmLab[2] is constructing a pilot-scale thermal purification facility. This was due for completion in mid-late 2019 but has been delayed with completion now forecast as first half of 2020. This has created ban opportunity for Hexagon to realign its commercialisation strategy with what it has referred to as a "fast-track to market" where the Company plans to utilise existing, accepted transformation processes to create materials focused on the US market; whilst in parallel, developing and testing more efficient, lower cost transformation routes such as chemical/ thermal purification as part of a longer-term program recognising the significant qualification time lines to be addressed.

Downstream Scoping Study
Hexagon completed a Downstream Scoping Study in May 2019 to evaluate its downstream business case. This included testwork based on utlisation of McIntosh flake graphite to scope out process equipment and costs for a diverse range of premium end use applications, including:

a) Expandable graphite precursor for high end Conductivity Enhancement Materials (CEM) and "nuclear" quality foils and seals;
b) Industrial applications comprising finished products including, CEM additive for alkaline battery & UHP electrodes, synthetic diamond precursor, specialty lubricants and ultra-fine materials utilised in a range of applications including brake lining/pads, mould release and forging lubricant, obscuration materials and other specialty ultra-fine materials; and

[2] Hexagon has a confidentiality obligation not to disclose the identity of the organisation referred to NAmLab. It is a well credentialed, ISO accredited test work and speciality graphite processing facility based in the USA.

c) Battery materials including various d50 sizes of spherical graphite for battery anode materials (BAM) in rechargeable lithium-ion batteries and several grades of ultra-fine CEM and coating materials in battery applications.

Hexagon announced results of this work in the June quarter. Highlights included:

- Milling trials demonstrated rapid particle size reductions to nominated median (D50) size specifications, inferring industry sector's leading milling costs.
- Milling cost advantages of McIntosh flake compared to typical African or Chinese sourced flakes demonstrated to be 2-3 times lower for hammer impact milling and approximately 2 times lower for air jet milling.
- Various size classifications of the spheroidised and micronised products have wide application in a wide range of battery chemistries as battery anode & conductivity enhancement materials (CEM) and the ultra-fine, high purity materials at sub 5 µm sizing as coatings and dispersions in battery and industrial applications which is a very high-value market, served by a very limited number of manufacturers.
- Test outcomes included ability to produce synthetic diamonds from McIntosh flake – currently technical grade, potentially also gem-stone quality, subject to the highest purity precursor material. There is a significant market for quality synthetic diamond precursor to underpin industrial applications for technical grade diamonds.

The technical outline of the testwork, along with detailed discussion of the results, can be found in the ASX Announcement "Excellent Technical Outcomes to Underpin a Standalone Downstream Graphite Processing Business" dated 29 April 2019.

The Downstream Scoping Study was prepared in conjunction with consultants GR Engineering Services and Optiro. The basis was to assess the viability of developing a standalone Graphite Purification and Processing Plant (GPPP), to manufacture high-specification graphite products. Hexagon reported the key findings in May 2019.

Key downstream Scoping Study assumptions, including several options regarding site location and purification technology, comprised:

- Purchase, at prevailing market prices, of all the required high-quality graphite concentrate feedstocks and freight to the GPPP;
- Potential sites in Geraldton, Western Australia or Chelan County, Washington State, USA;
- Utilising either electrothermal fluidised bed (EFB) furnace or Static furnace (SF) thermal purification technologies to refine all the flake concentrate ahead of any processing;
- A diverse graphite product suite of high purity (+99.99 wt%C), milled and sometimes shaped graphite materials to be used to make expanded graphite, battery anode material (BAM), CEM, ultra-fine powders and precursor for synthetic diamonds, as well as an expanded graphite precursor
- Staged development of the GPPP comprising:
    - Qualification Plant (Start-up Phase1), with a rated capacity of approximately 1,000 tonnes of products per year;
    - Commercial scale plant (Start-up Capital Phase 2) with a rated capacity of approximately 20,000 tonnes of products per year; and
    - Additional expansion (Phase 3) to approximately 50,000 tonnes of products per year.

Table 4: Pre & Post Tax Financial Estimates for each of the four scenarios

Location	Furnace Technology	NPV[1] A$ millions	IRR %	Payback[2] Yrs.	Rank
Pre-Tax Scenario Comparison - Nominal					
Geraldton	SF	884 to 1,196	45 to 61	4	4
Chelan County	SF	921 to 1,247	43 to 58	4	1
Geraldton	EFB	892 to 1,206	40 to 54	4	3
Chelan County	EFB	918 to 1,242	40 to 54	4	2
Post-Tax Scenario Comparison - Nominal					
Geraldton	SF	594 to 804	36 to 48	4	4
Chelan County	SF	798 to 958	37 to 49	4	1
Geraldton	EFB	597 to 807	32 to 44	4	3
Chelan County	EFB	705 to 953	35 to 47	4	2

1. *The Discount Rate for the NPV estimate is 10%.*
2. *Payback is based on the FID related to the Phase 2 construction i.e. after having run the Qualification scale plant for 1 year.*

The four scenarios considered comprised two different locations, one in Australia and one in the USA, and two furnace technologies with different cost bases, flow sheets and capital requirements. A summary of the key financial outcomes for all 4 scenarios is presented in Table 4.

The financial outcomes of the scoping study are summarised in Table 5. The overall findings are that the GPPP business is a highly attractive investment proposition based on an NPV range of A$880 million to A$1,240 million and an IRR range of 40% to 61% on an unleveraged pre-tax basis dependent on location and technology. The GPPP presents as a financially robust opportunity under all scenarios modelled, with only a 3% margin between the 1st and 4th ranked options.

On a pre-tax basis, there is no clear preferred choice. On a post-tax basis, the Chelan County site in Washington State, USA is a clear front-runner as shown in the comparisons in Tables 4.

Table 5: Summary Scoping Study Outcomes

Financial Highlights		
	Geraldton (Australia)	Chelan County (USA)
Pre-tax NPV (10% discount)	A$0.88 to A$1.20 Billion	A$0.92 to A$1.24 Billion
Post-tax NPV (10% discount)	A$594 to A$804 Million	A$708 to A$958 Million
Pre-tax Internal Rate of Return	40% to 61%	40% to 58%
Post-tax Internal Rate Return	32% to 48%	35% to 49%
Operating Margin (EBITDA)	51%	54%
Payback period from FID (post-tax)	4 years	4 years
Payback period from full commercial production (post-tax)	2 years	2 years
Operating Cost Product (life of project)	A$2,618 / Tonne	A$2,248 / Tonne
Feedstock Price	A$2,089 / Tonne (Equivalent to US$1,504/ Tonne)	
Weighted Ave Basket Price of Products	A$8,487 / Tonne (Equivalent to US$6,110 / Tonne)	
Start-Up Capital Phase 1	A$23 Million	A$27 Million
Start-Up Capital Phase 2	A$118 Million	A$135 Million
Start-Up Capital Phase 3 (fully funded from operations)	A$139 Million	A$153 Million

Based on the outcomes of this GPPP Scoping Study, Hexagon plans to take the GPPP through to Feasibility Study. The Company is examining different funding and development options.

Increasing US focus

Over the past 18 months, Hexagon has implemented a deliberate strategy to increase its presence in the USA to create a "beachhead" for its McIntosh marketing efforts and to pursue means to fast-track its business plans to positive cash flow. There are several important elements to this strategy which the Company is working to bring together:

- Hexagon is targeting premium markets which certainly includes the USA;
- Key technical partner, known as "NAmLab" is based in the US and contributes many important market insights and sales opportunities;
- To further identify and engage with those potential customers, Hexagon engaged two experienced, US-based "graphite" consultants;
- Over the past 12 months, Hexagon has identified specific market opportunities in the US for concentrate supply and not supported by any domestic natural flake graphite production;
- Opportunities to generate domestic, US supply of graphite will assist to create a US market for "Hexagon" branded graphite.
- For effective marketing, one requires a ready supply of product samples. This is currently a constraint at McIntosh where the deposit starts 20 metres below surface and all samples are derived from drill core. Hexagon owns 80% of US-registered Charge Minerals, which has 100% interest in the Ceylon Graphite Project in Alabama, centred on the historic Ceylon Graphite Mine.
- Led by customer "acceptance or appetite" for the Ceylon material, this will drive the resource and project development work.
- Growing awareness in the US to create self-reliance for certain critical minerals. In December 2017, President Trump signed a Presidential Executive order on a Federal strategy to ensure secure and reliable supplies of critical minerals – which includes graphite.

Hexagon is clearly positioned in the right place, at the right time with the right people to benefit from the market awareness and opportunities.

Hexagon's objective in the US is to establish its graphite brand, leveraging off quality premium products, access to cutting edge process technologies and a potential local presence with a downstream facility as highlighted in the Scoping Study outcomes. Furthermore, opportunities exist to diversify its feedstock to a possible new source in Alabama, albeit, still very early days. There is strong government and community support for these projects and possible federal funding for certain development proposals.

Other Projects and Interests

Charge Minerals (80% Hexagon)

In March 2019 Hexagon acquired an 80% interest in Charge Minerals, which has a 100% interest in the Ceylon Graphite Project. This comprises 200ha on the northern portion of the Alabama Graphite Belt, Alabama, USA. The Project covers the historical Ceylon Graphite Mine which produced graphite concentrates through several production phases between 1900 and 1949.

Hexagon acquired its interest in Charge from private US registered company, US Critical Minerals LLC (USCM) for US$50,000 and agreed to fund all exploration and development work by way of shareholder loans up to first production. Charge has secured both long-term Mineral Lease and Surface Use Agreements with the holders of the relevant mineral rights. There are no expenditure commitments and Charge has a Right of First Refusal over any graphite, lithium, cobalt, tantalum, tin or nickel assets owned or acquired by USCM. The concept behind this investment is to evaluate the commercialisation of the project through testing market acceptance by pilot-scale production of graphite concentrate and semi-finished graphite products from bulk samples to distribute to potential end-users. Hexagon was specifically looking for the type of graphite suitable for specific end-users in the USA and where mineralisation is outcropping and large bulk samples can be readily collected via excavator rather than drilling. This is a means to potentially fast-track the qualification process to expedite the feasibility process and possible commercial development.

Compilation of historical data, geological mapping and surface sampling work was completed on the project to delineate mineralised zones ready for bulk sampling program.

A comprehensive mapping and trench sampling program was completed in May 2019. This work was designed to generate a detailed geological and structural map as the basis for detailed sampling to identify sites for bulk sampling of approximately 100 tonnes of graphite mineralisation. The bulk samples were collected in July 2019.

Work recently completed included:

- Rock samples were collected from the Ceylon Mine and the adjacent Rushing Project. From these 120 samples, about 70 of these were collected for graphite, and 11 for potential Au mineralisation;
- A total of 29 trenches were dug to either blade refusal or a maximum of about 2 metres if there is no rock exposure, for a total of 2769 metres;
- 90 pits were dug to expand the coverage in areas with shallow dip or to cover more ground quickly;
- Trenches and pits were geologically logged for weathering intensity, shear intensity, lithology, visual graphite estimate, presence of vanadium-bearing mica, mineralogy, flake size estimate, and structural measurements; and
- 765 samples were submitted from the trenches for laboratory analysis plus standards (5 per 100 for a total of 42) and duplicates (5 per 100 for a total of 38).

The laboratory results illustrated graphite content ranging up to 4.93% TGC, with a median of 1.86%. The ore which was historically mined in the Alabama graphite belt generally targeted circa 3% to 5% TGC lithologies, which is consistent with the laboratory results returned for the Ceylon Project.

A 100-tonne bulk sampling program commenced in July 2019 to process samples into concentrate at an existing, third party, pilot-scale facility. The program is designed to generate approximately 2 to 3 tonnes of graphite concentrates, with the first batch planned to be available in December 2019.

Hexagon's presence in Alabama gives the Company an alternative potential upstream source of graphite concentrates closer to one of its key target markets. Furthermore, and critically it gives Hexagon a strong, local entry into the US battery materials supply chain from which to leverage its downstream development plans.

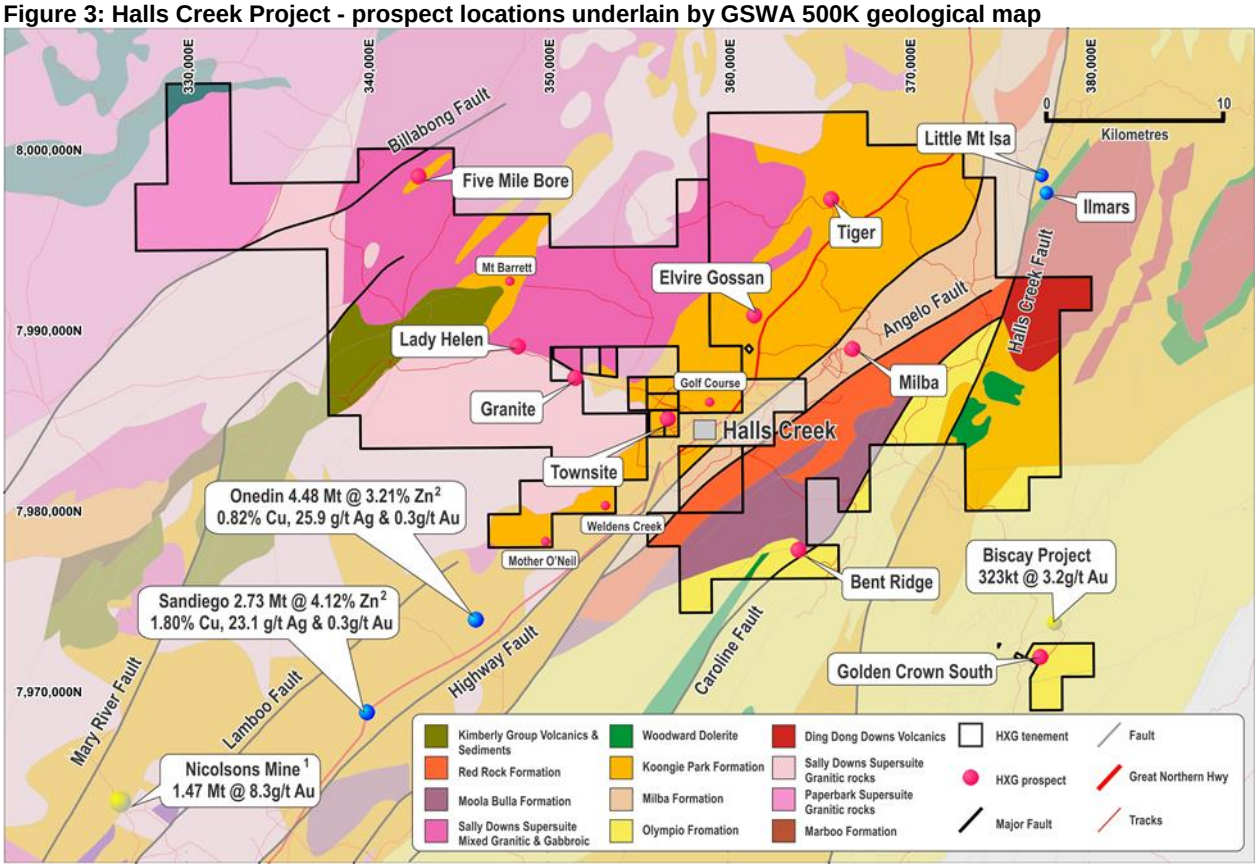
DIRECTORS' REPORT

Halls Creek Project (100% Hexagon)
Hexagon's Halls Creek project is an early-stage exploration project prospective for gold and base metals deposits. Early in the financial year, the Company completed a major data compilation and target generation program and commenced planning for a detailed airborne aeromagnetic program designed to provide detailed geological context to integrate all tenement areas and expedite systematic assessment.

Hexagon met with Traditional Owner groups in Halls Creek in July 2018 to discuss heritage surveys and planned low-impact work programs across the prospects identified.

In April 2019, Hexagon received notice by the respective Native Title claimant groups that subject to the usual heritage and monitoring safeguards, it was permitted to access the ground to undertake low-impact exploration activity. This includes a detailed airborne aeromagnetic program to provide improved and updated geological context to the various targets Hexagon has identified as shown in Figure 3. This program is planned to be flown in September 2019.

Figure 3: Halls Creek Project - prospect locations underlain by GSWA 500K geological map



Resource numbers [1] (Pantoro Ltd, 2018), [2] (Anglo Australian Resources NL, 2018)

SUSTAINABILITY
Health and Safety
No injuries or major incidents were recorded for the year on any Hexagon managed programs.

Exploration Results and Mineral Resource Estimates
The information within this report that relates to exploration results, Exploration Target estimates, geological data and Mineral Resources at the McIntosh and Halls Creek Projects is based on information compiled by Mr Mike Rosenstreich who is an employee of the Company. Mr Rosenstreich is a Fellow of The Australasian Institute of Mining and Metallurgy and has 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 he consents 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 NAmLab 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.

Scoping Study

The outcomes of the downstream scoping study were announced on 17 May 2019. Hexagon Resources Limited confirms that it is not aware of any new information or data that materially adversely affects the Scoping Study information included in the market announcement dated 17 May 2019 and, in the case of the Scoping Study, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially adversely changed.

15. INTEREST IN EXPLORATION TENEMENTS

Hexagon Resources Limited held the following interests in exploration tenements as at 30 June 2019

Tenement	Ownership Status	Application Date	Grant Date	Expiry Date
McIntosh, WA				
E80/3864	49% of MJV	29/01/2007	08/04/2008	07/04/2020
E80/3928	49% of MJV	17/04/2007	02/06/2009	01/06/2021
E80/3906	49% of MJV	16/03/2007	03/12/2008	02/12/2020
E80/3907	49% of MJV	16/03/2007	03/12/2008	02/12/2020
E80/4688	49% of MJV	15/02/2012	25/10/2012	24/10/2022
E80/4732	49% of MJV	24/08/2012	14/11/2013	13/11/2023
E80/4733	49% of MJV	28/08/2012	15/11/2013	14/11/2023
E80/4734	49% of MJV	29/08/2012	17/09/2014	16/09/2019*
E80/4739	49% of MJV	20/09/2012	14/11/2013	13/11/2023
E80/4825	49% of MJV	28/08/2013	03/09/2014	02/09/2019*
E80/4841	49% of MJV	03/12/2013	27/08/2014	26/08/2019*
E80/4842	49% of MJV	03/12/2013	27/08/2014	26/08/2019*
E80/4879	49% of MJV	12/05/2014	23/07/2015	22/07/2020
E80/4931	49% of MJV	16/12/2014	12/08/2015	11/08/2020
P80/1821	49% of MJV	31/10/2013	27/08/2014	26/08/2022
E80/5151	49% of MJV	13/10/2017	05/07/2019	04/07/2024
E80/5157	49% of MJV	13/11/2017	05/07/2019	04/07/2024
L80/0093	49% of MJV	21/12/2017	Pending	N/A
M80/0638	49% of MJV	29/11/2017	Pending	N/A
M80/0639	49% of MJV	29/11/2017	Pending	N/A
Halls Creek, WA				
E80/4793	100% Hexagon	17/05/2013	03/11/2014	02/11/2019
E80/4794	100% Hexagon	17/05/2013	03/09/2014	02/09/2019*
E80/4795	100% Hexagon	17/05/2013	10/12/2014	09/12/2019
E80/4858	100% Hexagon	23/01/2014	06/05/2016	05/05/2021
P80/1799	100% Hexagon	09/05/2012	03/09/2013	02/09/2021
P80/1800	100% Hexagon	09/05/2012	03/09/2013	02/09/2021
P80/1801	100% Hexagon	09/05/2012	03/09/2013	02/09/2021
P80/1814	100% Hexagon	05/09/2013	07/10/2014	06/10/2022
P80/1815	100% Hexagon	05/09/2013	07/10/2014	06/10/2022
P80/1816	100% Hexagon	05/09/2013	07/10/2014	06/10/2022
P80/1817	100% Hexagon	05/09/2013	07/10/2014	06/10/2022
P80/1818	100% Hexagon	05/09/2013	07/10/2014	06/10/2022
Alabama, USA				
MLAs**	80% Hexagon		28/02/2019	27/02/2024

*The Company has submitted applications for the extension of term.
**Mineral Lease Agreements with respective mineral rights holders.

16. INDEMNIFICATION OF OFFICERS OR AUDITOR

Indemnification
The Company has agreed to indemnify the current directors and company secretary of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors and company secretary of the Company, except where the liability arises out of conduct involving a lack of good faith.

The agreement stipulates that the Company will meet to the maximum extent permitted by law, the full amount of any such liabilities, including costs and expenses.

Insurance premiums
The Company paid a premium, during the year, in respect of a director and officer insurance policy, insuring the directors of the Company, the company secretary, and executive officers of the Company against any liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act. The directors have not included details of the nature of the labilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses' insurance contracts as such disclosure is prohibited under the terms of the contract.

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an auditor of the Company.

17. 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.

18. SHARE OPTIONS

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

Grant Date	Expiry Date	Exercise Price	Balance at the start of the year	Granted during the year	Exercised during the year	Expired / lapsed during the year	Balance at the end of the year
25-Sep-17 (1)	16-Oct-20	$0.15	**8,132,500**	-	-	-	**8,132,500**
25-Sep-17 (2)	16-Oct-20	$0.17	**8,132,500**	-	-	-	**8,132,500**
25-Sep-17 (3)	16-Oct-20	$0.20	**8,132,500**	-	-	-	**8,132,500**
Total			**24,397,500**	**-**	**-**	**-**	**24,397,500**

(1) Fully vested at 30 June 2018.
(2) 237,000 options had vested at 30 June 2019 (2018: 237,000). 7,895,500 options are subject to vesting conditions (2018: 7,895,500).
(3) 62,000 options had vested at 30 June 2019 (2018: 62,000). 8,070,500 options are subject to vesting conditions (2018: 8,070,500).

There have been no options issued, exercised and or expired as at the date of this report.

19. PERFORMANCE RIGHTS

Details of performance rights issued and expired during the financial year are set out below:

Grant Date	Expiry Date	Balance at the start of the year	Granted during the year	Expired / lapsed during the year	Balance at the end of the year
15-Feb-18 (1)	18-Jun-21	3,000,000	-	-	3,000,000
21-Jan-19 (2)	4-Feb-24	-	1,600,000	-	1,600,000
Total		**3,000,000**	**1,600,000**	**-**	**4,600,000**

(1) These performance rights had not vested at 30 June 2019 and were subject to vesting conditions.
(2) On 21 January 2019, 1,600,000 Performance Rights were granted to the Chief Commercial Officer with an issue price of $nil each with a deemed expiry of 4 February 2024, subject to specific non-market and market related performance hurdles. Each performance right will convert into one ordinary share subject to the vesting conditions. For purposes of the valuation, it was assumed that the probability of meeting the performance criteria was 100%. 325,000 performance rights had vested at 30 June 2019.1,275,000 performance rights are subject to vesting conditions.

20. REMUNERATION REPORT - AUDITED

This report for the year ended 30 June 2019 outlines the remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 ('the Act') and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel ('KMP') who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Parent company.

Individual KMP disclosure

Details of KMP of the Group who held office during the financial year are as follows:

Directors	Position	Appointment Date
Charles Whitfield	Non-Executive Director and	22 August 2016
	Non-Executive Chairman	5 May 2017
Michael Rosenstreich	Managing Director	17 March 2017
Garry Plowright	Non-Executive Director	10 June 2015

Other KMP	Position	Appointment Date
Rowan Caren	Company Secretary	18 September 2017
Michael Chan (1)	Chief Development Officer	21 May 2018
Lianne Grove	Chief Commercial Officer	3 September 2018

(1) Michael Chan's employment with the Company will end on 30 September 2019, he has agreed to provide metallurgical consultancy services to the Company as required after that date.

There have been no other changes after the reporting date and up to the date that the financial report was authorised for issue.

The Remuneration Report is set out under the following main headings:

A Remuneration Philosophy
B Remuneration Governance, Structure and Approvals
C Remuneration and Performance
D Details of Remuneration
E Contractual Arrangements
F Share-based Compensation
G Equity Instruments Issued on Exercise of Remuneration Options
H Value of Shares to KMP
I Voting and comments made at the Company's 2018 Annual General Meeting
J Loans to KMP
K Loans from KMP
L Other transactions with KMP

A. Remuneration Philosophy

KMP have authority and responsibility for planning, directing and controlling the activities of the Group. KMP of Hexagon comprise the Board of Directors, the Company Secretary, the Chief Development Officer ('CDO'), and the Chief Commercial Officer ('CCO').

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

The Group's broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

No remuneration consultants were employed during the financial year.

B. Remuneration Governance, Structure and Approvals

Remuneration of Directors is currently set by the Board of Directors. The Board has not established a separate Remuneration Committee at this point in the Group's development, nor has the Board engaged the services of an external remuneration consultant. It is considered that the size of the Board along with the level of activity of the Group renders this impractical. The Board is primarily responsible for:

- The over-arching executive remuneration framework;
- Operation of the incentive plans which apply to executive directors and senior executives (the executive team), including key performance indicators and performance hurdles;
- Remuneration levels of executives, and
- Non-executive director fees.

Their objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of 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 2019 each non-executive Director was entitled to receive fees of $40,000 plus superannuation per annum (2018: $40,000 plus superannuation) and the Chairman $65,000 per annum (2018: $65,000). 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-Executives is detailed in Table 1 and Table 2, and their contractual arrangements are disclosed in "Section E – Contractual Arrangements".

➢ 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 Executives is detailed in Table 1 and Table 2, and their contractual arrangements are disclosed in "Section E – Contractual Arrangements".

C. Remuneration and Performance

The following table shows the share price, market capitalisation and the losses of the Group as at 30 June for the last five financial years:

	2019	2018	2017	2016	2015
Share price at end of financial year ($)	0.09	0.21	0.09	0.15	0.06
Market capitalisation at end of financial year ($M)	27.43	61.27	22.17	35.07	10.27
Loss for the financial year ($)	2,050,422	1,305,622	1,696,620	2,570,062	5,693,038
Director and KMP remuneration	1,700,312	1,316,989	973,791	442,158	851,956

Relationship between Remuneration and Company Performance
Given the current phase of the Company's development the Board does not consider earnings during the current and previous financial years when determining, and in relation to, the nature and amount of remuneration of KMP.

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 2019 financial year to review management and other staff remuneration packages.

D. Details of Remuneration

During the financial year ended 30 June 2019 and 30 June 2018 KMP received short-term employee benefits, post-employment benefits, share-based payments and employee benefits expenses.

Table 1: Remuneration of Directors and other KMP of the Group for the year ended 30 June 2019:

	Short Term Employee Benefits			Long Term Employee Benefits	Post-Employment Benefits	Share-based Payments		Perfor-mance Related %
	Salary & Fees	Bonus (2)	Consulting fees	Leave Entitlements	Super-annuation	Shares & Options	Total	
30-Jun-19	$	$	$	$	$	$	$	
Directors								
Charles Whitfield	65,000	-	85,000	-	-	73,383	**223,383**	33%
Michael Rosenstreich	303,510	-	-	4,760	25,000	118,018	**451,288**	26%
Garry Plowright	40,000	-	20,547	-	5,752	15,726	**82,025**	19%
Sub-Total	**408,510**	-	**105,547**	**4,760**	**30,752**	**207,127**	**756,696**	
Other KMP								
Rowan Caren	54,000	-	-	-	-	875	**54,875**	2%
Michael Chan	259,994	40,000	-	7,361	25,000	217,855	**550,210**	40%
Lianne Grove (1)	198,000	-	-	4,746	25,000	105,385	**333,131**	32%
Sub-Total	**511,994**	**40,000**	-	**12,107**	**50,000**	**324,115**	**938,216**	
Total	**920,504**	**40,000**	**105,547**	**16,867**	**80,752**	**531,242**	**1,694,912**	

(1) Lianne Grove was appointed Chief Commercial Officer on 3 September 2018.
(2) Michael Chan was paid a $40,000 sign on bonus during the current financial year, as per his employment agreement.

Table 2: Remuneration of Directors and other KMP of the Group for the year ended 30 June 2018:

	Short Term Employee Benefits			Long Term Employee Benefits	Post-Employment Benefits	Share-based Payments		Perfor-mance Related %
	Salary & Fees	Bonus	Consulting fees	Leave Entitlements	Super-annuation	Shares & Options	Total	
30-Jun-18	$	$	$	$	$	$	$	
Directors								
Charles Whitfield	65,000	-	85,000	-	-	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%
Sub-Total	**362,292**	-	**98,698**	**10,416**	**29,544**	**598,818**	**1,099,768**	
Other KMP								
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%
Sub-Total	**118,613**	**-**	**20,000**	-	**4,622**	**73,986**	**217,221**	
Total	**480,905**	**-**	**118,698**	**10,416**	**34,166**	**672,804**	**1,316,989**	

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

Table 3: Shareholdings of KMP (Direct and Indirect Holdings)

30-Jun-19	Balance at 1/07/2018	Granted as Remuneration	On-Market Trade	Net Change Other	Balance at 30/06/2019
Directors					
Charles Whitfield	**3,806,463**	-	319,751	-	**4,126,214**
Michael Rosenstreich (1)	**1,096,053**	-	-	-	**1,096,053**
Garry Plowright	**1,000,000**	-	-	-	**1,000,000**
Other KMP					
Rowan Caren	**-**	-	-	-	**-**
Michael Chan (2)	**504,545**	-	-	-	**504,545**
Lianne Grove (3)	**-**	200,000	37,000	-	**237,000**
Total	**6,407,061**	**200,000**	**356,751**	**-**	**6,963,812**

(1) 1,000,000 shares were issued under the employee share loan scheme in the previous financial year, of which 500,000 shares were fully vested at 30 June 2019. The remaining 500,000 shares are subject to vesting conditions. The amount of remuneration in respect of shares yet to vest is $17,580.
(2) 504,545 shares were issued under the employee share loan scheme in the previous financial year, of which 204,545 shares were fully vested at 30 June 2019. The remaining 300,000 shares are subject to vesting conditions. The amount of remuneration in respect of shares yet to vest is $34,694.
(3) Lianne Grove was appointed Chief Commercial Officer on 3 September 2018.
200,000 shares were issued under the employee share loan scheme, of which 125,000 shares were fully vested at 30 June 2019. The remaining 75,000 shares are subject to vesting conditions. The amount of remuneration in respect of shares yet to vest is $4,356.
37,000 shares were purchased on-market.

Table 4: Option holdings of KMP (Direct and Indirect Holdings)

30-Jun-19	Balance at 1/07/2018	Granted as remuneration	Options Exercised	Net Change Other	Balance at 30/06/2019
Directors					
Charles Whitfield (1)	**8,925,000**	-	-	-	**8,925,000**
Michael Rosenstreich (2)	**12,750,000**	-	-	-	**12,750,000**
Garry Plowright (3)	**1,912,500**	-	-	-	**1,912,500**
Other KMP					
Rowan Caren (4)	**225,000**	-	-	-	**225,000**
Michael Chan	**-**	-	-	-	**-**
Lianne Grove	**-**	-	-	-	**-**
Total	**23,812,500**	**-**	**-**	**-**	**23,812,500**

(1) 2,975,000 options had fully vested at 30 June 2019. The remaining 5,950,000 options are subject to vesting conditions.
(2) 4,250,000 options had fully vested at 30 June 2019. The remaining 8,500,000 options are subject to vesting conditions.
(3) 637,500 options had fully vested at 30 June 2019. The remaining 1,275,000 options are subject to vesting conditions.
(4) 150,000 options had fully vested at 30 June 2019. The remaining 75,000 options are subject to vesting conditions.

During the 2019 financial year, no options were issued to KMP (2018: 23,932,500 options were issued to KMP).

Table 5: Performance rights holdings of KMP (Direct and Indirect Holdings)

30-Jun-19	Balance at 1/07/2018	Granted as remuneration	Rights Exercised	Net Change Other	Balance at 30/06/2019
Directors					
Charles Whitfield	-	-	-	-	-
Michael Rosenstreich	-	-	-	-	-
Garry Plowright	-	-	-	-	-
Other KMP					
Rowan Caren	-	-	-	-	-
Michael Chan (1)	**3,000,000**	-	-	-	**3,000,000**
Lianne Grove (2)	-	1,600,000	-	-	**1,600,000**
Total	**3,000,000**	**1,600,000**	**-**	**-**	**4,600,000**

(1) These performance rights had not vested at 30 June 2019 and were subject to vesting conditions. The amount yet to vest is $383,333.
(2) On 21 January 2019, 1,600,000 Performance Rights were granted to the Chief Commercial Officer with an issue price of $nil each with a deemed expiry of 4 February 2024, subject to specific non-market and market related performance hurdles. Each performance right will convert into one ordinary share subject to the vesting conditions. For purposes of the valuation, it was assumed that the probability of meeting the performance criteria was 100%. 325,000 performance rights had vested at 30 June 2019. The remaining 1,275,000 performance rights are subject to vesting conditions. The amount yet to vest is $91,622.

E. Contractual Arrangements

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 superannuation up to $25,000, plus the 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 the 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 the 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 superannuation, plus the 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 involved the payment to Garry Plowright of monthly consulting fees of $5,000 plus reimbursement of all reasonable business expenses, this agreement was verbally terminated in September 2018.

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 of $4,950 plus GST. 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 $284,700 inclusive of superannuation. Mr Chan is also entitled to participate in the employee share loan scheme; awarding of Performance Rights subject to performance conditions, long term incentive payments subject to performance conditions; short term cash incentives and sign-on packages comprising cash and shares.

Agreement with Chief Commercial Officer

Ms Lianne Grove was appointed Chief Commercial Officer on 3 September 2018. The employment agreement contains a three-month probation period, has provision for three months' notice of termination by either party, provides for an annual salary of $262,800 inclusive of superannuation. Ms Grove is also entitled to participate in the employee share loan scheme; awarding of Performance Rights subject to performance conditions and long-term incentive payments subject to performance conditions.

F. Share-based Compensation

The Company rewards Directors and senior management for their performance and aligns their remuneration with the creation of shareholder wealth by issuing share options and or shares. Share-based compensation is at the discretion of the Board and no individual has a contractual right to participate in any share-based plan or to receive any guaranteed benefits.

Options

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.

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 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.

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.

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

Grant date	25-Sep-17
Expected volatility	85%
Risk-free rate average	2.13%
Expected life (years)	3
Fair value (each)	$0.035 - $0.042
Number issued	23,932,500
Dividend yield	N/A
Weighted average exercise price	$0.17
Share price at grant date	$0.095
Total fair value	**$925,391**

There were no new options issued by the Company during the 2019 financial year.

Employee Share Loan Scheme

Shares 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.

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 allocating vesting expenses, it is assumed the performance criteria will be met within three years.

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.

Employee share loan scheme shares granted during the year ended 2019:

30-Jun-19	Grant date	Number of shares granted during the year	Fair value of shares at grant date
Other KMP			
Lianne Grove	21-Jan-19	200,000	$22,564
Total		**200,000**	**$22,564**

The following table lists the inputs to the model used in the valuation of Lianne Grove's loan scheme shares:

	Tranche 1-3	Tranche 4-5
Grant date	21-Jan-19	21-Jan-19
Expiry date	4-Feb-29	4-Feb-29
Expected life (years)	10.047	10.047
Number issued	150,000	50,000
Share price at grant date	$0.145	$0.145
Share price target	N/A	$0.260
Dividend yield	N/A	N/A
Employment exit rate	N/A	5%
Expected volatility	100%	97.4%
Risk-free rate	2.29%	2.28%
Fair value (each)	$0.13	$0.06
Total fair value	**$19,564**	**$3,000**

Tranche 1 shares vested on 21 January 2019 and Tranche 2 shares vested on 14 June 2019. Tranche 3-5 shares vest at 30 June 2020 and are subject to specific market and non-market performance hurdles, as approved by the Board.

Employee share loan scheme shares granted during the year ended 2018:

30-Jun-18	Grant date	Number of shares granted during the year	Fair value of shares at grant date
Directors			
Michael Rosenstreich	25-Sep-17	1,000,000	$79,108
Other KMP			
Michael Chan	15-Feb-18	300,000	$53,566
Total		**1,300,000**	**$132,674**

The following table lists the inputs to the model used in the valuation of Michael Rosenstreich's loan scheme shares:

Grant date	25-Sep-17	15-Feb-18
Expected volatility	85%	100%
Risk-free rate average	2.80%	2.14%
Expected life (years)	3	10
Fair value (each)	$0.079	$0.179
Number issued	1,000,000	300,000
Dividend yield	N/A	N/A
Weighted average exercise price	$0.11	$0.22
Share price at grant date	$0.095	$0.20
Total fair value	**$79,108**	**$53,566**

Performance Rights

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.

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.

Performance rights granted during the year ended 2019:
The 1,600,000 performance rights that were issued on 21 January 2019 to Lianne Grove are subject to specific non-market and market related performance hurdles, as approved by the Board. For purposes of the valuation, it is assumed that the probability of meeting the performance criteria by 30 June 2020 is 100%.

30-Jun-19	Grant date	Number of performance rights granted during the year	Value of performance rights at grant date
Other KMP			
Lianne Grove	21-Jan-19	1,600,000	$178,800
Total		**1,600,000**	**$178,800**

The following table lists the inputs to the model used in the valuation of Lianne Grove's performance rights:

	Tranche 1-2	Tranche 3-4
Grant date	21-Jan-19	21-Jan-19
Expiry date	4-Feb-24	4-Feb-24
Expected life (years)	5.047	5.047
Vesting date	30-Jun-20	30-Jun-20
Number issued	650,000	950,000
Share price at grant date	$0.145	$0.145
Share price target	N/A	$0.260
Dividend yield	N/A	N/A
Employment exit rate	N/A	5%
Expected volatility	N/A	97.4%
Risk-free rate	N/A	1.92%
Fair value (each)	$0.145	$0.089
Total fair value	**$94,250**	**$84,550**

Tranche 1 performance rights vested on the 14 June 2019 as the non-market performance hurdle was satisfied during the financial year. Tranche 2-4 performance rights had not vested at 30 June 2019 as the non-market and market performance hurdles had not been satisfied.

Performance rights granted during the year ended 2018:

The 3,000,000 performance rights that were issued on 15 February 2018 to Michael Chan are subject to specific non-market related performance hurdles, as approved by the Board.

30-Jun-18	Grant date	Number of performance rights granted during the year	Value of performance rights at grant date
Other KMP			
Michael Chan	15-Feb-18	3,000,000	$600,000
Total		**3,000,000**	**$600,000**

The following table lists the inputs to the model used in the valuation of Michael Chan's performance rights:

Grant date	15-Feb-18
Expected life (years)	3 years
Number issued	3,000,000
Share price at grant date	$0.20
Fair value (each)	$0.20
Total fair value	**$600,000**

G. Equity Instruments Issued on Exercise of Remuneration Options

No remuneration options were exercised during the year ended 30 June 2019.

H. Value of Shares to KMP

On 21 January 2019, 200,000 incentive shares under an employee share loan scheme were granted to Lianne Grove with an issue price of $0.1421 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 that the probability of meeting the performance criteria by 30 June 2020 is 100%.

On 15 February 2018, 300,000 incentive shares under an employee share loan scheme were granted to Michael Chan with an issue price of $0.22 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 that the probability of meeting the performance criteria by 18 June 2021 is 100%.

On 25 September 2017, 1,000,000 incentive shares under an employee share loan scheme were granted to Michael Rosenstreich 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 that the probability of meeting the performance criteria by 25 September 2020 is 100%.

There were no other shares issued to KMP during the year ended 30 June 2019 and 30 June 2018.

I. Voting and comments made at the Company's 2018 AGM

The Company received 91% "Yes" votes on its Remuneration Report for the 2018 financial year. The Company did not receive any specific feedback at the Annual General Meeting or throughout the year on its remuneration practices.

J. Loans to KMP

On 21 January 2019, 200,000 incentive shares under an employee share loan scheme were granted to Lianne Grove. Refer to Note H: 'Value of Share to KMP' for further detail.

On 15 February 2018, 300,000 incentive shares under an employee share loan scheme were granted to Michael Chan. Refer to Note H: 'Value of Share to KMP' for further detail.

On 25 September 2017, 1,000,000 incentive shares under an employee share loan scheme were granted to Michael Rosenstreich. Refer to Note H: 'Value of Share to KMP' for further detail.

There were no other loans made to any KMP during the year ended 30 June 2019.

K. Loans from KMP

There were no loans from any KMP during the year ended 30 June 2019 (2018: $nil).

L. Other transactions with KMP

Drumrock Capital Ltd, an entity associated with Charles Whitfield, provided consulting services totaling $85,000 to the Company during the financial year (2018: $85,000).

Garry Plowright provided consulting services totaling $20,547 to the Company during the financial year (2018: $13,698).

There were no other transactions with KMP during the financial year ended 30 June 2019.

End of Remuneration Report

21. GOVERNANCE

The Board of Directors is responsible for the operational and financial performance of the Company, including its corporate governance. The Company believes that the adoption of good corporate governance adds value for stakeholders and enhances investor confidence.

The Company's corporate governance statement is available on the Company's website, in a section titled "Corporate - Governance": https://hexagonresources.com/corporate/corporate-governance/.

22. 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; and
- 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:

	30-Jun-19	30-Jun-18
	$	$
Remuneration for other services		
Taxation services	30,485	32,795
Technical advice including R&D Claims	51,812	15,300
Total Non-Audit Services	**82,297**	**48,095**

23. EVENTS SINCE THE END OF THE FINANCIAL YEAR

On 19 August 2019 the Company announced that it had expanded its strategy to include other technical and energy-related materials. This evolution presents exciting complementary opportunities for Hexagon to access within its downstream commercialisation strategy, with a continued focus on fast-tracking towards cashflow. The Company also announced that is has engaged Dr Gareth Hatch, CEng, FIMMM, FIET as Senior Strategic Technical Advisor to help guide the battery-graphite development program and to assist in the assessment of new downstream energy-materials opportunities.

On 9 September 2019 the Company announced that it had entered into a binding purchase agreement to consolidate its Halls Creek Gold Project in northern Western Australia. The agreement enables Hexagon to acquire a 75% interest in a new exploration license, under application, filling a critical gap in the central part of its tenement bloc for $20,000.

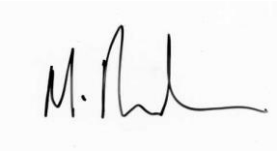
Subsequent to year end, the Company entered into an agreement in relation to a proposed business acquisition.

The directors are not aware of any other matters or circumstances at the date of the report, other than those referred to in this report or the financial statements or notes thereto, that have significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Company in subsequent financial years.

24. AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration forms part of the Directors' Report and is attached on page 31.

Signed in accordance with a resolution of the Board of Directors



Michael Rosenstreich
Managing Director
26 September 2019

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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 2019, 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, 26 September 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	30-Jun-19	30-Jun-18
		$	$
Revenue from continuing operations	6	54,541	5,572
Profit on disposal Battery Minerals Investment		-	1,051,793
Fair value gain on Lind options derivative liability		-	28,029
Exchange differences on translation of foreign currencies		53,984	5,606
Corporate and administration expenses	7	(1,058,308)	(1,345,092)
Impairment of exploration costs	13	-	(9,297)
Loss on disposal of plant and equipment		(1,173)	-
Personnel expenses and director fees	7	(556,880)	(384,726)
Share-based payments expense	19	(542,586)	(657,507)
Loss from continuing operations before income tax		**(2,050,422)**	**(1,305,622)**
Income tax expense	8	**-**	-
Loss from continuing operations after income tax		**(2,050,422)**	**(1,305,622)**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Gain on revaluation of equity investments at FVOCI		3,756	-
Reclassification of exchange differences on disposal of foreign subsidiary		-	30,920
Available-for-sale financial asset - reclassified to profit and loss		-	(1,042,512)
Other comprehensive income / (loss) for the year, net of tax		**3,756**	**(1,011,592)**
Total comprehensive loss for the year		**(2,046,666)**	**(2,317,214)**
Loss for the year is attributable to:			
Owners of Hexagon Resources Limited		(2,050,422)	(1,305,622)
Non-controlling interests		-	-
		(2,050,422)	**(1,305,622)**
Total comprehensive loss for the year is attributable to:			
Owners of Hexagon Resources Limited		(2,046,666)	(2,317,214)
Non-controlling interests		-	-
		(2,046,666)	**(2,317,214)**
Loss per share attributable to ordinary equity holders			
- Basic and diluted loss per share	9	(0.007)	(0.005)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30-Jun-19	30-Jun-18
		$	$
ASSETS			
Current assets			
Cash and cash equivalents	10	4,203,294	7,361,880
Trade and other receivables	11	34,022	18
Total current assets		**4,237,316**	**7,361,898**
Non-current assets			
Trade and other receivables	11	5,500	6,950
Equity investments at FVOCI	12	71,296	67,540
Plant and equipment		21,667	23,032
Exploration and evaluation assets	13	12,144,259	10,443,220
Total non-current assets		**12,242,722**	**10,540,742**
Total assets		**16,480,038**	**17,902,640**
LIABILITIES			
Current liabilities			
Trade and other payables	14	343,213	322,009
Provisions	15	29,070	26,159
Total current liabilities		**372,283**	**348,168**
Total liabilities		**372,283**	**348,168**
Net assets		**16,107,755**	**17,554,472**
EQUITY			
Contributed equity	16	58,857,850	58,817,934
Reserves	17	2,500,485	1,970,448
Accumulated losses	18	(45,268,027)	(43,233,910)
Capital and reserves attributable to owners of Hexagon Resources Limited		**16,090,308**	**17,554,472**
Non-controlling interests		17,447	-
Total equity		**16,107,755**	**17,554,472**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of Hexagon Resources Limited				Non-controlling interests	Total Equity
	Issued Capital	Reserves	Accumulated Losses	Total		
	$	$	$	$	$	$
At 1 July 2018	**58,817,934**	**1,970,448**	**(43,233,910)**	**17,554,472**	**-**	**17,554,472**
Comprehensive income:						
Loss for the year	-	-	(2,050,422)	**(2,050,422)**	-	**(2,050,422)**
Gain on revaluation of equity investments at FVOCI	-	3,756	-	**3,756**	-	**3,756**
Total comprehensive income / (loss) for the year	**-**	**3,756**	**(2,050,422)**	**(2,046,666)**	-	**(2,046,666)**
Transactions with owners in their capacity as owners:						
Issue of share capital	39,916	-	-	**39,916**	-	**39,916**
Share based payments	-	542,586	-	**542,586**	-	**542,586**
Transfer between reserves	-	(16,305)	16,305	**-**	-	**-**
Asset acquisition (refer Note 23)	-	-	-	**-**	17,447	**17,447**
At 30 June 2019	**58,857,850**	**2,500,485**	**(45,268,027)**	**16,090,308**	**17,447**	**16,107,755**

	Issued Capital	Reserves	Accumulated Losses	Total Equity
	$	$	$	$
At 1 July 2017	**51,132,064**	**2,324,532**	**(41,928,288)**	**11,528,308**
Comprehensive income:				
Loss for the year	-	-	(1,305,622)	**(1,305,622)**
Currency translation differences arising during the year	-	30,920	-	**30,920**
Gain on disposal of available-for-sale financial assets	-	(1,042,512)	-	**(1,042,512)**
Total comprehensive loss for the year	**-**	**(1,011,592)**	**(1,305,622)**	**(2,317,214)**
Transactions with owners in their capacity as owners:				
Issue of share capital	7,048,300	-	-	**7,048,300**
Capital raising 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**
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

	Note	30-Jun-19	30-Jun-18
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,622,971)	(1,656,773)
Interest received		45,321	5,572
Net cash used in operating activities	**10(b)**	**(1,577,650)**	**(1,651,201)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(7,384)	(22,171)
Proceeds on sale of plant and equipment		2,124	-
Payments for exploration and evaluation		(1,998,925)	(2,166,252)
Receipt of government grant in relation to exploration assets		329,349	411,423
Proceeds on sale of investments		-	1,241,793
Net cash used in investing activities		**(1,674,836)**	**(535,207)**
CASH FLOWS FROM FINANCIAL ACTIVITIES			
Proceeds from issue of shares		39,916	7,985,410
Share issue costs		-	(299,540)
Net cash provided by financing activities		**39,916**	**7,685,870**
Net (decrease) / increase in cash and cash equivalents		**(3,212,570)**	**5,499,462**
Cash and cash equivalents at the beginning of the year		7,361,880	1,856,812
Net foreign exchange differences		53,984	5,606
Cash and cash equivalents at the end of the year	**10(a)**	**4,203,294**	**7,361,880**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Hexagon Resources Limited (referred to as 'Hexagon' or the 'Company' or 'Parent Entity') is a company domiciled in Australia. The address of the Company's registered office and principal place of business is disclosed in the Corporate Directory of the Annual Report. The consolidated financial statements of the Company as at and for the year ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as the 'Consolidated Entity' or the 'Group'). The Group is primarily involved in mineral exploration.

2. BASIS OF PREPARATION

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Hexagon Resources Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial report was authorised for issue by the Directors on 26 September 2019.

(a) Compliance with IFRS

The consolidated financial statements of the Consolidated Entity also comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

(b) Basis of measurement

The consolidated financial statements have been prepared on a going concern basis in accordance with the historical cost convention, unless otherwise stated.

(c) Going Concern

For the year ended 30 June 2019 the group recorded a loss of $2,050,422, net cash outflows from operating activities of $1,577,650 and had net working capital of $3,865,033. Furthermore, the Consolidated Entity has not generated revenues from operations during the year.

The directors believe that the going concern basis of preparation is appropriate as the Group has sufficient cash balance to fund its exploration and corporate activities for the next twelve months.

(d) New and revised Accounting Standards and Interpretations adopted by the Group

The Group has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The new accounting policies are disclosed below.

- ***AASB 9 Financial Instruments***

AASB 9 Financial Instruments replaces the provisions of AASB 139 Financial Instruments: Recognition and Measurement that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

AASB 9 requires all equity investments to be measured at fair value. The default approach is for all changes in fair value to be recognised in profit or loss. However, for equity investments that are neither held for trading nor contingent consideration recognised by an acquirer in a business combination, the Consolidated Entity can make an irrevocable election at initial recognition to classify the instruments as at fair value through other comprehensive income (FVOCI), with all subsequent changes in fair value being recognised in other comprehensive income (OCI). The Consolidated Entity has made this election. The impact of this adoption of AASB 9 is a reclassification of available-for-sale investment to equity instruments at FVOCI and available-for-sale reserve to FVOCI reserve at 1 July 2018. Comparative figures are not restated. Under this new FVOCI category, fair value changes are recognised in OCI while dividends are recognised in profit or loss (unless they clearly represent a recovery of part of the cost of the investment). In particular, under the new category, on disposal of the investment the cumulative change in fair value is not recycled to profit or loss.

- ***AASB 15 Revenue from Contracts with Customers***

AASB 15 Revenue from contracts with customers replaces AASB 118 Revenue. AASB 15 was adopted by the Group on 1 July 2018. AASB 15 provides a single, principles-based five step model to be applied to all contracts with customers.

The Group has considered AASB 15 in detail and determined that the impact on the Group's sales revenue from contracts under AASB 15 is insignificant on transition date, 1 July 2018, and at reporting date 30 June 2019. Noting that the Company is yet to be in production and selling product and interest income is the principal source of revenue at present.

(e) New Accounting Standards and Interpretations not yet mandatory or early adopted

The Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual period ended 30 June 2019. The Group intends to adopt these standards and interpretations if applicable, when they become effective.

Nature of Change	Application Date	Impact on Initial Application
AASB 16: Leases (issued February 2016)		
AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 *Leases.* It instead requires an entity to bring most leases into its statement of financial position in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its statement of financial position for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases. Lessor accounting remains largely unchanged from AASB 117.	Annual reporting periods beginning on or after 1 January 2019.	When this standard is first adopted from 1 July 2019, there will be minimal impact on transactions and balances recognised in the financial statements.

3. 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.

4. FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars. The functional and presentation currency of the Company is Australian dollars (AUD). The functional currency of the subsidiaries of the Group is based on their domicile.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investments in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, within finance costs. All other foreign exchange gains and losses are presented in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on a net basis within other income or other expenses.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position,
- Income and expenses for each Statement of Profit or Loss and Other Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

5. KEY JUDGEMENTS AND ESTIMATES

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the Group.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

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.

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.

Share based payments

The Group measures the cost of equity settled transactions with Directors, employees and consultants, where applicable, by reference to the fair value instruments at the date at which they are granted. The fair value is determined using the black-scholes, binomial or other appropriate model, taking into account the terms and conditions upon which the instruments were granted. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. REVENUE FROM CONTINUING OPERATIONS

	30-Jun-19	30-Jun-18
	$	$
Interest income	51,142	5,572
Other income	3,399	-
	54,541	**5,572**

RECOGNITION AND MEASUREMENT

Income

Income is recognised and measured at the fair value of the consideration received or receivable to the extent that is probable that the economic benefits to flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before income is recognised.

Interest Income

Interest income is recognised when the Company gains control of the right to receive the interest payment.

All revenue is stated net of the amount of goods and services tax.

7. EXPENSES

	30-Jun-19	30-Jun-18
	$	$
Administration expenses		
Accounting and finance expenses	103,195	122,824
Compliance and regulatory expenses	342,247	410,415
Computer expenses	13,501	20,171
Consulting and corporate expenses	151,054	339,668
Depreciation expense	5,887	2,790
Investor relations and promotional expenses	198,975	134,798
Insurance expense	21,364	36,448
Rent expense	56,162	30,177
Travel and accommodation expenses	87,059	191,881
Other administration expenses	78,864	55,920
	1,058,308	**1,345,092**
Personnel expenses and director fees		
Wages and salaries, including superannuation	448,080	275,926
Director fees and other benefits	108,800	108,800
	556,880	**384,726**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. INCOME TAX EXPENSE

	30-Jun-19	30-Jun-18
	$	$
Accounting loss before income tax	(2,050,422)	(1,305,622)
Tax at the Australian tax rate of 30% (2018: 27.5%)	(615,127)	(359,046)
Non-deductible expenses	162,776	180,814
Non-assessable income	(98,805)	(383,504)
Deferred tax assets not bought to account	551,156	561,736
Income tax expense/benefit	**-**	**-**
Deferred tax liability		
Unrealised foreign exchange	4,859	-
Research and development assets/exploration	3,467,560	2,871,885
Other temporary differences	18,389	15,824
	3,490,808	**2,887,709**
Offset of deferred tax assets	(3,490,808)	(2,887,709)
Net deferred tax liability recognised	**-**	**-**
Unrecognised deferred tax asset		
Capital losses	-	359,293
Tax losses	5,325,726	5,882,968
Other temporary differences	269,283	352,821
	5,595,009	**6,595,082**
Offset of deferred tax liabilities	(3,490,808)	(2,887,709)
Net deferred tax assets	**2,104,201**	**3,707,373**

RECOGNITION AND MEASUREMENT

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

9. EARNINGS PER SHARE

	30-Jun-19	30-Jun-18
Net loss attributable to the ordinary equity holders of the Group ($)	(2,050,422)	(1,305,622)
Weighted average number of ordinary shares for basic loss per share (No)	291,783,397	259,140,545
Continuing operations		
- Basic and diluted loss per share ($)	(0.007)	(0.005)

RECOGNITION AND MEASUREMENT

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. CASH AND CASH EQUIVALENTS

(a) Reconciliation to cash at the end of the year

	30-Jun-19	30-Jun-18
	$	$
Cash on hand and at bank	1,838,609	7,315,040
Short-term deposits	2,364,685	46,840
	4,203,294	**7,361,880**

(b) Reconciliation of net cash flows from operating activities to loss for the year after tax

	30-Jun-19	30-Jun-18
	$	$
Loss after income tax	(2,050,422)	(1,305,622)
Adjustments for:		
Depreciation	5,887	2,790
Fair value gain on Lind options derivative liability	-	(28,029)
Gain on sale of investment	-	(1,051,793)
Impairment of exploration assets	-	9,297
Share based payments	542,586	657,507
Change in operating assets and liabilities		
Decrease in receivables	84,458	67,969
Increase in other assets	-	(75,074)
(Decrease) / increase in trade payables and accruals	(153,491)	56,639
(Decrease) / increase in employee entitlements	(6,668)	15,115
Net cash outflow from operating activities	**(1,577,650)**	**(1,651,201)**

RECOGNITION AND MEASUREMENT

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. TRADE AND OTHER RECEIVABLES

	30-Jun-19	30-Jun-18
	$	$
Current assets		
Other receivables	34,022	18
	34,022	**18**

	30-Jun-19	30-Jun-18
	$	$
Non-Current assets		
Other receivables	5,500	6,950
	5,500	**6,950**

RECOGNITION AND MEASUREMENT

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.

Other receivables
Other receivables are recognised at amortised cost, less any provision for impairment. Other receivables do not contain impaired assets and are not past due. Based on the credit history, it is expected that these other balances will be received when due.

Impairment of financial assets
In accordance with AASB 9 Financial Instruments, the Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Company uses its historical experience, external indicators and forward looking information to calculate the expected credit losses using a provision matrix.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. EQUITY INVESTMENTS AT FVOCI / AVAILABLE-FOR-SALE FINANCIAL ASSET

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 of $1,051,793. These shares represent Equity Investments at FVOCI.

	30-Jun-19	30-Jun-18
	$	$
Investment Battery Minerals Resources Limited (unlisted)	71,296	67,540
	71,296	**67,540**

Reconciliation

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

	30-Jun-19	30-Jun-18
	$	$
Opening fair value	67,540	1,300,052
Sale of investment	-	(1,235,990)
Revaluation increment	3,756	3,478
	71,296	**67,540**

RECOGNITION AND MEASUREMENT

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

13. EXPLORATION AND EVALUATION ASSETS

	30-Jun-19	30-Jun-18
	$	$
Carrying amount of exploration and evaluation expenditure	12,144,259	10,443,220
Movement reconciliation		
Balance at the beginning of the financial year	**10,443,220**	**8,568,394**
Exploration expenditure during the year	2,030,388	2,295,546
Impairment of exploration assets	-	(9,297)
Research and development grants relating to exploration expenditure	(329,349)	(411,423)
Balance at the end of the financial year	**12,144,259**	**10,443,220**

RECOGNITION AND MEASUREMENT

Exploration and evaluation expenditure, which are intangible costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Consolidated Entity has obtained the legal rights to explore an area are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

(i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or

(ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or other wise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if one or more of the following facts and circumstances exist:

(i) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future and is not expected to be renewed.

(ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.

(iii) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.

(iv) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full, from successful development or by sale.

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mineral property and development assets within plant and equipment.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. TRADE AND OTHER PAYABLES

	30-Jun-19	30-Jun-18
	$	$
Trade payables	202,151	322,009
Other payables and accrued expenses	141,062	-
	343,213	**322,009**

RECOGNITION AND MEASUREMENT

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

For trade and other payables, the fair value is approximate to their carrying value amount, due to their short-term nature.

15. PROVISIONS

	30-Jun-19	30-Jun-18
	$	$
Provision for annual leave	29,070	26,159
	29,070	**26,159**

RECOGNITION AND MEASUREMENT

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event;

- it is probably that resources will be expended to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Employee Benefits

Short-term employee benefits

Provision is made for the Company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

A provision is recognised in the Consolidated Statement of Financial Position when the Consolidated Entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. CONTRIBUTED EQUITY

(a) Issued and fully paid

	30-Jun-19		30-Jun-18	
	$	No.	$	No.
Fully paid ordinary shares	58,857,850	291,783,397	58,817,934	291,783,397
	58,857,850	**291,783,397**	**58,817,934**	**291,783,397**

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proposed winding up of the company in proportion to the number and amount paid on the share hold.

(b) Movement Reconciliation

ORDINARY SHARES	Quantity	$
Balance 30 June 2017	**246,366,747**	**51,132,064**
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	937,110
Share placement (5)	36,842,105	7,000,000
Share issue expenses	-	(299,540)
Balance 30 June 2018	**291,783,397**	**58,817,934**
Proceeds from employee share scheme (6)	-	39,916
Balance 30 June 2019	**291,783,397**	**58,857,850**

(1) 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) 204,545 ordinary shares were issued at $0.22 to an employee under remuneration agreement.

(4) 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) 36,842,105 ordinary fully paid shares were issued at $0.19 through a share placement.

(6) Proceeds from employee share scheme which were issued during the prior year.

(c) Capital Risk Management

The Group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Given the stage of the Company's development there are no formal targets set for return on capital. There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements. The net equity of the Company is equivalent to capital. Net capital is obtained through capital raisings on the Australian Securities Exchange.

RECOGNITION AND MEASUREMENT

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example as a result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

17. RESERVES

	30-Jun-19	30-Jun-18
	$	$
Options reserve	2,034,495	1,830,532
Share loan scheme reserve	100,849	65,709
Performance rights reserve	303,845	16,667
FVOCI reserve (formerly available-for-sale reserve)	61,296	57,540
	2,500,485	**1,970,448**

Option reserve

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

	30-Jun-19	30-Jun-18
	$	$
Movement reconciliation		
Balance at the beginning of the financial year	**1,830,532**	**1,255,400**
Vesting expenses relating to options during the year	203,963	575,132
Balance at the end of the financial year	**2,034,495**	**1,830,532**

Share loan scheme reserve

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

	30-Jun-19	30-Jun-18
	$	$
Movement reconciliation		
Balance at the beginning of the financial year	**65,709**	-
Vesting expenses relating to share loan scheme during the year	51,445	65,709
Transfer to accumulated losses	(16,305)	-
Balance at the end of the financial year	**100,849**	**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.

	30-Jun-19	30-Jun-18
	$	$
Movement reconciliation		
Balance at the beginning of the financial year	**16,667**	-
Vesting expenses relating to performance rights during the year	287,178	16,667
Balance at the end of the financial year	**303,845**	**16,667**

FVOCI reserve (formerly available-for-sale reserve)

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

	30-Jun-19	30-Jun-18
	$	$
Movement reconciliation		
Balance at the beginning of the financial year	**57,540**	**1,100,052**
Reversal on sale of financial assets	-	(1,045,990)
Gain on revaluation of available-for-sale financial assets	3,756	3,478
Balance at the end of the financial year	**61,296**	**57,540**

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.

	30-Jun-19	30-Jun-18
	$	$
Movement reconciliation		
Balance at the beginning of the financial year	**-**	**(30,920)**
Currency translation differences arising during the year	-	30,920
Balance at the end of the financial year	**-**	**-**

18. ACCUMULATED LOSSES

	30-Jun-19	30-Jun-18
	$	$
Movement reconciliation		
Balance at the beginning of the financial year	**(43,233,910)**	**(41,928,288)**
Net loss during the year	(2,050,422)	(1,305,622)
Transfer from option reserve	16,305	-
Balance at the end of the financial year	**(45,268,027)**	**(43,233,910)**

19. SHARE BASED PAYMENTS

	Number of options, rights & shares	Share-based payment expense at 30 June 2019	Remaining share-based payment expense at 30 June 2019
Employee and Consultants Options (i)	24,397,500	$203,963	$262,397
Loan Scheme Shares (ii)	1,500,000	$51,445	$39,051
Performance Rights (iii)	4,600,000	$287,178	$474,955
Total	**30,497,500**	**$542,586**	**$776,403**

(i) Employee and Consultant Options

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

Options	Grant Date	Expiry Date	Exercise Price	Balance at the start of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at the end of the year
Options - T1	25-Sep-17	16-Oct-20	$0.15	**8,132,500**	**-**	**-**	**-**	**8,132,500**
Options - T2	25-Sep-17	16-Oct-20	$0.17	**8,132,500**	**-**	**-**	**-**	**8,132,500**
Options - T3	25-Sep-17	16-Oct-20	$0.20	**8,132,500**	**-**	**-**	**-**	**8,132,500**
Total				**24,397,500**	**-**	**-**	**-**	**24,397,500**
Weighted average exercise price				$0.17	**-**	**-**	**-**	$0.17

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The model and assumptions for the employee and consultant options are shown in the table below:

	Options - T1	Options - T2	Options - T3
Grant date *	25-Sep-17	25-Sep-17	25-Sep-17
Expected volatility	85%	85%	85%
Risk-free rate average	2.13%	2.13%	2.13%
Expected life (years)	3	3	3
Dividend yield	N/A	N/A	N/A
Exercise price	$0.15	$0.17	$0.20
Number issued	8,282,500	8,282,500	8,282,500
Share price at grant date	$0.095	$0.095	$0.095
Fair value (each)	$0.042	$0.039	$0.035
Total fair value	**$347,865**	**$323,018**	**$289,888**

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

Vesting Conditions:

Each tranche in the table above is subject to specific non-market related performance hurdles as approved by the Board and in the case of options issued to Directors, by shareholders. At 30 June 2019, 8,132,500 tranche 1 options had vested (2018: 8,132,500), 237,000 tranche 2 options had vested (2018: 237,000) and 62,000 tranche 3 options had vested (2018: 62,000).

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.

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. No other features of options granted were incorporated into the measurement of fair value.

(ii) Loan Scheme Shares

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

Shares	Grant Date	Expiry Date	Exercise Price	Balance at the start of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at the end of the year
Various Holders	25-Sep-17	25-Sep-27	$0.11	**1,570,000**	-	(30,000)	(540,000)	**1,000,000**
M Chan	15-Feb-18	7-Jun-20	$0.22	**300,000**	-	-	-	**300,000**
L Grove	21-Jan-19	4-Feb-29	$0.1421	**-**	200,000	-	-	**200,000**
Total				**1,870,000**	**200,000**	**(30,000)**	**(540,000)**	**1,500,000**

The model and assumptions for the employee incentive loan scheme shares are shown in the table below:

	Various Holders	M Chan	L Grove -T1-T3	L Grove - T4-T5
Grant date	25-Sep-17	15-Feb-18	21-Jan-19	21-Jan-19
Expected volatility	85%	100%	100%	97.4%
Risk-free rate average	2.80%	2.14%	2.29%	2.28%
Expected life (years)	10	10	10.047	10.047
Dividend yield	N/A	N/A	N/A	N/A
Exercise price	$0.11	$0.22	$0.1421	$0.1421
Number issued	1,570,000	300,000	150,000	50,000
Share price at grant date	$0.095	$0.20	$0.145	$0.145
Fair value (each)	$0.079	$0.179	$0.13	$0.06
Total fair value	**$124,030**	**$53,566**	**$19,564**	**$3,000**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Vesting Conditions:

Shares: 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 that the probability of the performance criteria being met within three years is 100%. 500,000 incentive shares relating to the Managing Director have vested and remain on issue and the remaining 500,000 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 2019, 540,000 incentive shares expired / lapsed due to employees being terminated and or at the employee's request, 30,000 incentive shares were exercised and 500,000 incentive shares are yet to vest. At 30 June 2018, 530,000 incentive shares were vested (included the 500,000 incentive shares to the Managing Director vested on issue) and the remaining 1,040,000 incentive shares had not yet vested.

M Chan: 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. 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 that the probability of meeting the performance criteria by 30 June 2020 is 100%. None of these shares had vested at 30 June 2018 or 30 June 2019.

L Grove: 200,000 incentive shares under an employee share loan scheme were granted on 21 January 2019 with an issue price of $0.1421 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 that the probability of meeting the performance criteria by 30 June 2020 is 100%. Tranche 1 shares vested on 21 January 2019, Tranche 2 shares vested on 14 June 2019 and Tranche 3-5 shares vest at 30 June 2020, subject to non-market and market performance hurdles being satisfied.

(iii) Performance Rights

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

Rights	Grant Date	Expiry Date	Issue Price	Balance at the start of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at the end of the year
M Chan	15-Feb-18	18-Jun-21	$0.220	3,000,000	-	-	-	3,000,000
L Grove	21-Jan-19	4-Feb-24	$0.145	-	1,600,000	-	-	1,600,000
Total				**3,000,000**	**1,600,000**	**-**	**-**	**4,600,000**

The model and assumptions for the employee incentive loan scheme shares are shown in the table below:

	M Chan	L Grove - T1-T2	L Grove - T3-T4
Grant date	15-Feb-18	21-Jan-19	21-Jan-19
Expiry date	18-Jun-21	4-Feb-24	4-Feb-24
Expected life (years)	3	5.047	5.047
Vesting date	18-Jun-21	30-Jun-20	30-Jun-20
Vesting life (years)	3	1.441	1.441
Number issued	3,000,000	650,000	950,000
Share price at grant date	$0.20	$0.145	$0.145
Share price target	N/A	N/A	$0.260
Dividend yield	N/A	N/A	N/A
Employment exit rate	N/A	N/A	5%
Expected volatility	N/A	N/A	97.4%
Risk-free rate average	N/A	N/A	1.92%
Fair value (each)	$0.20	$0.145	$0.089
Total fair value	**$600,000**	**$94,250**	**$84,550**

Vesting Conditions:

M Chan: 3,000,000 performance rights (three tranches of 1,000,000) were granted on 15 February 2018 with an issue price of $nil each with a deemed expiry of 7 June 2020, subject to specific non-market related performance hurdles. For purposes of the valuation, it is assumed that the probability of meeting the performance criteria by 18 June 2021 is 100%. The performance rights had not vested at 30 June 2018 and 30 June 2019.

L Grove: 1,600,000 performance rights (four tranches) were granted on 21 January 2019 with an issue price of $nil each with a deemed expiry of 4 February 2024, subject to specific non-market and market related performance hurdles. For purposes of the valuation, it is assumed that the probability of meeting the performance criteria by 30 June 2020 is 100%.

Tranche 1: 325,000 performance rights vested on the 14 June 2019 as the non-market performance hurdle was satisfied during the financial year.

Tranche 2-4: The performance rights had not vested at 30 June 2019 as the non-market and market performance hurdles had not been satisfied.

20. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group 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 and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future cash flow forecasts.

Risk management is carried out by Management and overseen by the Board of Directors.

The main risks arising for the Group are foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

The carrying values of the Group's financial instruments are as follows:

	30-Jun-19	30-Jun-18
	$	$
Financial assets		
Cash and cash equivalents	4,203,294	7,361,880
Trade and other receivables	39,522	6,968
Equity investments at FVOCI	71,296	67,540
	4,314,112	**7,436,388**
Financial liabilities		
Trade and other payables	343,213	322,009
	343,213	**322,009**
Net exposure	**3,970,899**	**7,114,379**

(a) Market Risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency.

At 30 June 2019, the Consolidated Entity had the following exposure to foreign currency:

	30-Jun-19	30-Jun-18
	$	$
Financial assets:		
Cash and cash equivalents – US Dollar	1,784,807	214,260
Financial liabilities:		
Trade and other payables - US Dollar	135,257	-
Net Exposure	**1,649,550**	**214,260**

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Sensitivity
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:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18
	$	$	$	$
Judgements of reasonably possible movements:				
+ 10.0%	(149,959)	(19,478)	(149,959)	(19,478)
- 10.0%	183,282	23,806	183,282	23,806

(ii) Interest rate risk
The Group is exposed to interest rate risk due to variable interest being earned on its interest-bearing bank accounts. At the end of the reporting period, the Group had the following interest-bearing financial instruments:

	30-Jun-19		30-Jun-18	
	Weighted average interest rate	Balance $	Weighted average interest rate	Balance $
Cash and cash equivalents	1.35%	4,203,294	0.38%	7,361,880

Sensitivity
Within this analysis, consideration is given to potential renewals of existing positions and the mix of fixed and variable interest rates. The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. The 1% increase and 1% decrease in rates is based on reasonably expected possible changes over a financial year, using the observed range of historical rates for the preceding five-year period.

At 30 June 2019, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax losses and equity would have been affected as follows:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18
	$	$	$	$
Judgements of reasonably possible movements:				
+ 1.0% (100 basis points)	42,033	73,619	42,033	73,619
- 1.0% (100 basis points)	(42,033)	(73,619)	(42,033)	(73,619)

The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a counter party to a financial instrument fails to meet its contractual obligations. During the year credit risk has principally arisen from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of these instruments.

The carrying amount of financial assets included in the Consolidated Statement of Financial Position represents the Group's maximum exposure to credit risk in relation to those assets. The Group does not hold any credit derivatives to offset its credit exposure. The Group trades only with recognised, credit worthy third parties and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables. Receivable balances are monitored on an ongoing basis with the result that the Group does not have a significant exposure to bad debts.

The Group has no significant concentrations of credit risk within the Group except for the following:

- Note 10: Cash and cash equivalents: Cash held with Westpac Banking Corporation and Region Bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(i) Cash

The Group's primary banker is Westpac Banking Corporation which has a rating of AA- from Standards & Poor's. The Board considers the use of this financial institution to be sufficient in the management of credit risk.

	30-Jun-19	30-Jun-18
	$	$
Cash at bank and short-term bank deposits:		
Financial institutions - Standard & Poor's rating of AA-	4,175,007	7,361,880
Financial institutions - Other	28,287	-
	4,203,294	**7,361,880**

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions.

The Directors and Management monitor the cash outflow of the Group on an on-going basis against budget and the maturity profiles of financial assets and liabilities to manage its liquidity risk.

The financial liabilities the Group had at reporting date were trade payables and employee provisions incurred in the normal course of the business. Trade payables were non-interest bearing and were paid within the normal 30-60 day terms of creditor payments.

The table below reflects the respective undiscounted cash flows for financial liabilities existing at 30 June 2019.

Contractual maturities of financial liabilities	<6 months	>6-12 months	>12 months	Total contractual cash flows	Carrying amount
	$	$	$	$	$
30-Jun-19					
Trade and other payables	343,213	-	-	343,213	343,213
	343,213	**-**	**-**	**343,213**	**343,213**
30-Jun-18					
Trade and other payables	322,009	-	-	322,009	322,009
	322,009	**-**	**-**	**322,009**	**322,009**

(d) Fair value hierarchy

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

- Equity investments at FVOCI / Available-for-Sale financial assets

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

(i) Level 1 - the instrument has quoted prices (unadjusted) in active markets for identical assets and liabilities;
(ii) Level 2 - a valuation technique using inputs other than quoted prices within Level 1 that are observable for the financial instrument, either directly (i.e. as prices), or indirectly (i.e. derived from prices); or
(iii) Level 3 - a valuation technique using inputs that are not based on observable market data (unobservable inputs).

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 asses or liabilities are readily traded on organised markets in standardised form.

	Level 1	Level 2	Level 3	Total
Assets	$	$	$	$
30-Jun-19				
Equity investments at FVOCI	71,296	-	-	**71,296**
	71,296	-	-	**71,296**
30-Jun-18				
Equity investments at FVOCI	67,540		-	**67,540**
	67,540	-	-	**67,540**

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

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RECOGNITION AND MEASUREMENT

Non-derivative financial instruments

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Consolidated Statement of Cash Flows.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost it considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. If a loan or held-to maturity investment has a variable interest rate, the discount rate or measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. SEGMENT REPORTING

Reportable Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Board of Directors and the Chief Commercial Officer.

Following the acquisition of an 80% interest in a private USA registered company, Charge Minerals LLC in March 2019, it was determined that the Group operates in three operating segments, mineral exploration in Australia, mineral exploration in United States of America and resources allocated to administration. This is the basis in which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Group.

(i) Segment performance

	Exploration USA	Exploration Australia	Administration	Total
30-Jun-19	**$**	**$**	**$**	**$**
Revenue				
Interest income	-	-	51,142	**51,142**
Other income	-	-	3,399	**3,399**
Total segment revenue	**-**	**-**	**54,541**	**54,541**
Reconciliation of segment results to net loss before tax				
Amounts not included in segment results but reviewed by the Board				
- Impairment of exploration costs	-	-	-	**-**
- Administration, consulting and other expenses				(2,104,963)
Net loss before tax from continuing operations				**(2,050,422)**

	Exploration USA	Exploration Australia	Administration	Total
30-Jun-18	**$**	**$**	**$**	**$**
Revenue				
Interest income	-	-	5,572	**5,572**
Profit on disposal Battery Minerals Investment	-	-	1,051,793	**1,051,793**
Fair value gain on Lind options derivative liability	-	-	28,029	**28,029**
Total segment revenue	**-**	**-**	**1,085,394**	**1,085,394**
Reconciliation of segment results to net loss before tax				
Amounts not included in segment results but reviewed by the Board				
- Impairment of exploration costs	-	(9,297)	-	**(9,297)**
- Administration, consulting and other expenses				(2,381,719)
Net loss before tax from continuing operations				**(1,305,622)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(ii) Segment assets

	Exploration USA	Exploration Australia	Administration	Total
	$	$	$	$
30-Jun-19				
Total segment asset	**498,477**	**11,558,549**	**4,423,012**	**16,480,038**

	Exploration USA	Exploration Australia	Administration	Total
	$	$	$	$
30-Jun-18				
Total segment asset	**-**	**10,427,824**	**7,474,816**	**17,902,640**

(iii) Segment liabilities

	Exploration USA	Exploration Australia	Administration	Total
	$	$	$	$
30-Jun-19				
Total segment liabilities	**73,639**	**7,712**	**290,932**	**372,283**

	Exploration USA	Exploration Australia	Administration	Total
	$	$	$	$
30-Jun-18				
Total segment liabilities	**-**	**98,719**	**249,449**	**348,168**

22. 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.

	30-Jun-19	30-Jun-18
	$	$
Short-term benefits	1,066,051	599,603
Long-term benefits	16,867	10,416
Post-employment benefits	80,752	34,166
Share-based payments	531,242	672,804
	1,694,912	**1,316,989**

Detailed remuneration disclosures are provided in the Remuneration Report in the Director Report.

Transactions with Related Parties

Drumrock Capital Ltd, an entity associated with Charles Whitfield, provided consulting services totaling $85,000 to the Company during the financial year (2018: $85,000).

Garry Plowright provided consulting services totaling $20,547 to the Company during the financial year (2018: $13,698).

There were no other transactions with related parties during the financial year ended 30 June 2019.

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23. PARENT ENTITY INFORMATION

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

	30-Jun-19	30-Jun-18
	$	$
Current assets	4,209,029	7,361,898
Non-current assets	12,179,680	10,540,742
Total assets	**16,388,709**	**17,902,640**
Current liabilities	298,644	348,168
Non-current liabilities	-	-
Total liabilities	**298,644**	**348,168**
Net assets	**16,090,065**	**17,554,472**
Issued capital	58,857,850	58,817,934
Reserves	2,500,485	1,970,448
Accumulated losses	(45,268,270)	(43,233,910)
Total equity	**16,090,065**	**17,554,472**
Loss after income tax	(2,035,417)	(1,305,622)
Other comprehensive income	-	(1,014,592)
Total comprehensive income	**(2,035,417)**	**(2,320,214)**

Commitments, Contingencies and Guarantees of the Parent Entity

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

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

Controlled Entities of the Parent Entity	Percentage Owned		Country of Incorporation
	2019	2018	
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
Hexagon Graphite USA C-Corp (1)	100%	-	United States of America
Charge Minerals LLC (1)	80%	-	United States of America

(1) In March 2019 Hexagon acquired an 80% interest in a private USA registered company, Charge Minerals LLC (CML). CML holds several Mineral Claim agreements in Alabama including the early stage Ceylon graphite mine project, centred on a historical open pit excavation last worked in 1946. The acquisition of Charge Minerals LLC was treated as an asset acquisition for accounting purposes, as it does not fall within the scope of AASB 3 Business Combinations.

24. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Under the Joint Venture Agreement with Mineral Resources Limited (MRL), Hexagon is committed to repay its proportionate share (49%) of the costs actually incurred by MRL on capital expenditure items for the McIntosh Project, capped at $3.92 million. Such amounts will only be repaid from cash flow realised from the sale of graphite flake product from the McIntosh Project.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. COMMITMENTS

	30-Jun-19	30-Jun-18
Operating leases	**$**	**$**
Minimum lease payments:		
Payable within one year	27,000	27,500
Payable within one year and five years	-	33,000
Payable later than five years	-	-
Total contracted at balance date	**27,000**	**60,500**

Operating leases relate to the Company's current office, which is under a non-cancellable operating lease. The lease expires on 11 April 2020 and has an option to extend for a further two years.

Future exploration
The Group 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 Group.

	30-Jun-19	30-Jun-18
	$	**$**
Exploration obligations to be undertaken:		
Payable within one year	114,236	832,015
Payable within one year and five years	117,782	494,165
	232,018	**1,326,180**

Hexagon has an obligation to pay 1.7% net smelter return royalty (NSR) with a minimum guarantee of $65,000 per year and 2% NSR with a minimum guarantee of $125,000 per year on all of the minerals that are produced from its Alabama's mineral lease agreements during trial production period and commercial mining commencement respectively.

26. 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.

27. AUDITOR'S REMUNERATION

	30-Jun-19	30-Jun-18
BDO Audit (WA) Pty Ltd	**$**	**$**
Remuneration paid or payable for:		
- Auditing and reviewing the financial reports	34,838	44,500
Non-audit services:		
- Taxation services - BDO Tax (WA) Pty Ltd	30,485	32,795
- Technical advice including R&D claims - BDO Tax (WA) Pty Ltd	51,812	15,300
Total auditors' remuneration	**117,135**	**92,595**

28. EVENTS AFTER END OF FINANCIAL YEAR

On 19 August 2019 the Company announced that it had expanded its strategy to include other technical and energy-related materials. This evolution presents exciting complementary opportunities for Hexagon to access within its downstream commercialisation strategy, with a continued focus on fast-tracking towards cashflow. The Company also announced that is has engaged Dr Gareth Hatch, CEng, FIMMM, FIET as Senior Strategic Technical Advisor to help guide the battery-graphite development program and to assist in the assessment of new downstream energy-materials opportunities.

On 9 September 2019 the Company announced that it had entered into a binding purchase agreement to consolidate its Halls Creek Gold Project in northern Western Australia. The agreement enables Hexagon to acquire a 75% interest in a new exploration license, under application, filling a critical gap in the central part of its tenement bloc for $20,000.

Subsequent to year end, the Company entered into an agreement in relation to a proposed business acquisition.

The directors are not aware of any other matters or circumstances at the date of the report, other than those referred to in this report or the financial statements or notes thereto, that have significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Company in subsequent financial years.

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 2019 and of its performance for the year ended on that date.

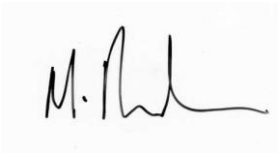
2. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

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 pages 20 to 29 of the directors' report (as part of audited Remuneration Report), for the year ended 30 June 2019, comply with section 300A of the *Corporations Act 2001.*

5. The directors have been given the declarations by the Managing Director and Chief Commercial 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
Managing Director
26 September 2019

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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 2019, 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 2019 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 5 and note 13 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 5 and note 13 to the financial report.

Accounting for Share Based Payments

Key audit matter	How the matter was addressed in our audit
As disclosed in note 19, share based payment expense was recognised in the profit and loss for the year ended 30 June 2019 for equity instruments such as such as shares, incentive options, employee share loans and performance rights granted to key management personnel and employees. Some of these equity instruments were granted in the current year and the remaining in the prior periods. These equity instruments including those issued in the prior periods continued to be expensed over their vesting period.	Our procedures included, but were not limited to: • reviewing market announcements and board minutes to ensure all the new equity instruments granted during the year have been accounted for; • reviewing relevant supporting documentation to obtain an understanding of the contractual nature and terms and conditions of new share based payment arrangements entered during the year;

Refer to note 5 and note 19 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.	• evaluating management's methodology including work performed from management's expert for calculating the fair value of the equity instruments. This include assessing the valuation inputs used in the fair valuation calculation and involved our internal specialist where required; • assessing management's determination of achieving non-market and market vesting conditions (if applicable); • assessing the allocation of the share-based payment expense over the management's expected vesting period; and • assessing the adequacy of the related disclosures in note 5 and note 19 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 2019, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

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

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

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 29 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Hexagon Resources Limited, for the year ended 30 June 2019, 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

Jarrad Prue

Director

Perth, 26 September 2019

SHAREHOLDER INFORMATION

The following additional information was applicable as at 16 September 2019.

1. Fully paid ordinary shares

- There are a total of 291,783,397 ordinary fully paid shares on issue which are listed on the ASX.
- The number of holders of fully paid ordinary shares is 1,694.
- Holders of fully paid ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company.
- There are no preference shares on issue.

2. Distribution of fully paid ordinary shareholders is as follows:

Spread of Holdings	Holders	Securities	% of Issued Capital
1 - 1,000	60	11,949	0.00%
1,001 - 5,000	264	967,193	0.33%
5,001 - 10,000	313	2,527,342	0.87%
10,001 - 100,000	776	29,827,676	10.22%
100,001 - 9,999,999,999	281	258,449,237	88.58%
Totals	**1,694**	**291,783,397**	**100.00%**

3. Distribution of unquoted options - exercisable at $0.15 expiring 16 October 2020 – is as follows:

Spread of Holdings	Holders	Securities	% of Option Series
1 - 1,000	0	0	0.00%
1,001 - 5,000	0	0	0.00%
5,001 - 10,000	0	0	0.00%
10,001 - 100,000	2	55,000	0.68%
100,001 - 9,999,999,999	6	8,077,500	99.32%
Totals	**8**	**8,132,500**	**100.00%**

4. Distribution of unquoted options - exercisable at $0.17 expiring 16 October 2020 – is as follows:

Spread of Holdings	Holders	Securities	% of Option Series
1 - 1,000	0	0	0.00%
1,001 - 5,000	0	0	0.00%
5,001 - 10,000	0	0	0.00%
10,001 - 100,000	2	55,000	0.68%
100,001 - 9,999,999,999	6	8,077,500	99.32%
Totals	**8**	**8,132,500**	**100.00%**

5. Distribution of unquoted options - exercisable at $0.20 expiring 16 October 2020 -– is as follows:

Spread of Holdings	Holders	Securities	% of Option Series
1 - 1,000	0	0	0.00%
1,001 - 5,000	0	0	0.00%
5,001 - 10,000	0	0	0.00%
10,001 - 100,000	2	55,000	0.68%
100,001 - 9,999,999,999	6	8,077,500	99.32%
Totals	**8**	**8,132,500**	**100.00%**

SHAREHOLDER INFORMATION

6. Holders of Performance Rights

Tah Nean Chan holds 3,000,000 performance rights.
Lianne Grove holds 1,600,000 performance rights.
There are no other performance rights on issue.

7. Holders of non-marketable parcels

Holders of non-marketable parcels are deemed to be those who shareholding is valued at less than $500.

There are 429 shareholders who hold less than a marketable parcel of shares, amounting to 1,613,530 shares or 0.55% of issued capital.

8. Substantial shareholders of ordinary fully paid shares

The Substantial Shareholders of the Company are:

Rank	Holder Name	Securities	% of Issued
1	Tribeca Investment Partners Pty Limited	37,145,667	12.73%
2	UBS Group AG	20,384,624	6.99%

9. Share buy-backs

There is no current on-market buy-back scheme.

10. Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes (at present there are none) at general meetings of shareholders or classes of shareholders:

(a) each shareholder is entitled to vote and may vote in person or by proxy, attorney or representative;

(b) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and

(c) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held, or in respect of which he/she has appointed a proxy, attorney or representative, is entitled to one vote per share held.

Options do not entitle the holder to vote.

SHAREHOLDER INFORMATION

11. Top 20 Shareholders of ordinary fully paid shares

The top 20 largest fully paid ordinary shareholders together held 51.02% of the securities in this class and are listed below:

Rank	Holder Name	Securities	% of Issued
1	CITICORP NOMINEES PTY LIMITED	26,693,929	9.15%
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	22,166,755	7.60%
3	UBS NOMINEES PTY LTD	21,811,677	7.48%
4	MINERAL RESOURCES LIMITED	10,526,316	3.61%
5	INVESTORLINK GROUP LIMITED	8,424,378	2.89%
6	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	7,445,025	2.55%
7	PATHFINDER EXPLORATION PTY LTD	6,800,301	2.33%
8	CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	6,341,804	2.17%
9	MR ROBERT SIMEON LORD	6,000,000	2.06%
10	MR MARK PETER DAVIE	3,700,000	1.27%
11	MASFEN SECURITIES LIMITED	3,421,053	1.17%
12	MR RICHARD HOPETOUN BITCON	3,400,000	1.17%
13	MR ANTHONY LIONEL PATTERSON <PATTERSON FAMILY A/C>	3,366,666	1.15%
14	SCHENK INVESTMENTS PTY LTD <SCHENK SUPERFUND A/C>	3,100,000	1.06%
15	NORVALE PTY LTD	3,040,738	1.04%
16	MR ANDREW MURRAY GREGOR	2,861,400	0.98%
17	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	2,572,992	0.88%
18	MRS MIN YOUNG KANG	2,492,643	0.85%
19	ONE MANAGED INVESTMENT FUNDS LIMITED <TECHNICAL INVESTING ABSOLUTE RETURN A/C>	2,409,333	0.83%
20	COLENEW PTY LIMITED <PAUL XIRADIS ACCOUNT>	2,280,000	0.78%
	Total	**148,855,010**	**51.02%**

HEXAGON
resources limited

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