HEXAGON

Annual Report 2020/21

Hexagon Energy Materials Limited
ABN 27 099 098 192

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CORPORATE DIRECTORY

Board of Directors

Charles Whitfield - Non-Executive Chairman
Garry Plowright - Non-Executive Director
Justyn Stedwell - Non-Executive Director

Officers of the Company

Rowan Caren - Company Secretary
Lianne Grove - Chief Operating Officer

Registered Office & Principal Place of Business

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Domicile and Country of Incorporation

Australia

Australian Business Number

27 099 098 192

Auditors

BDO Audit (WA) Pty Ltd
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,

I am pleased to report that the Hexagon management team has made significant progress on its two most prospective projects, while substantially advancing strategic discussions for non-core assets throughout the 2021 Financial Year. We are very encouraged by some outstanding Nickel/Copper/PGM findings at McIntosh which opened the door to several development alternatives and by the progress in the potentially transformational Pedirka Blue Hydrogen project.

The Company has stayed true to its mandate to seek out and progress mining opportunities that will become increasingly relevant in the global transition to clean energy. This trend has gathered pace and we believe Hexagon is very well positioned to take advantage of these developing markets.

Halls Creek and Charge Minerals in Alabama are both likely to be subject to accretive transactions and shareholders should look forward to positive announcements around these assets in the near future.

Our work at McIntosh has been producing some very encouraging results. The direction that Nickel/Copper/PGM findings at McIntosh are taking us behooves the Company to continue to develop the understanding of this asset. We are finalising a set of studies which will result in better understanding but also identify targets for a drill program to get a complete picture of its potential, before landing on a development pathway.

Hexagon has already provided a series of updates to the market from the historical review and the fresh surface sampling work and geophysics. I would like to take this opportunity to provide a bit more context around this. Obviously, we are very close to Panoramic's Savanah nickel operations, but our work at McIntosh is much more than "postcode prospecting". We are focused on ascertaining the scale and scope of the opportunity over our tenements. The really pleasing news from this work is that through testing we are finding allows us to draw parallels to large-scale projects of the type found in the Bushveld area of South Africa. That is to say that there is broad sulphide mineralisation across large areas which provides a basis for growing optimism that McIntosh could indeed develop into a very strong copper / nickel prospect with significant PGM potential.

Meanwhile, the hydrogen production Pre-Feasibility Study (PFS) for Hexagon's NT blue hydrogen project carries on apace and is on track to be completed by the end of the year. The information gathered in the PFS should allow us to take conversations with potential customers, service providers, government and financiers to the next level.

While I have no desire to pre-empt the outcomes of the PFS, the work we are doing on this potentially transformational project for the Company is very exciting.

The Federal Government has shown increasing commitment to Blue Hydrogen as the means by which the nation can build out an economic hydrogen capacity including the more distant, green hydrogen projects under consideration. This is in line with the international community where blue hydrogen is being strongly backed in North America, Europe and Asia. Our discussions with potential offshore hydrogen consumers indicate that they are extremely eager to secure access to zero CO_2 emission hydrogen and ammonia and are sensitive to price and agnostic as to production method. We believe that the Pedirka Blue Hydrogen project has the potential to make a meaningful contribution in helping to solve a critical global issue. That is reducing carbon emissions to slow down the climate and environmental impact of increasing demands for higher standards of living for more people and the implicit energy and resource needs that this objective implies. Blue hydrogen can contribute towards this objective using established technology at costs that are economically viable.

There are many initiatives currently underway within the organisation to strengthen its position in this key area of the global economy. We look forward to a very busy year ahead and to much more news flow and updates with investors either virtually or, travel permitting, face to face.

In the meantime, I wish you all well and thank you for your continued support of Hexagon and the work that we are doing.

Regards,

Charles Whitfield
Non-Executive Chairman
17 September 2021

DIRECTORS' REPORT

Your Directors present their report on Hexagon Energy Materials Limited ('Hexagon' or 'Company') and its controlled entities ('Consolidated Entity' or 'Group') for the year ended 30 June 2021.

1. BOARD OF DIRECTORS

The Directors of the Company 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 Non-Executive Chairman	Appointed 22 August 2016 Appointed 5 May 2017
Garry Plowright	Non-Executive Director	Appointed 10 June 2015
Justyn Stedwell	Non-Executive Director	Appointed 1 December 2020
Michael Rosenstreich	Managing Director	Appointed 17 March 2017, Resigned 1 December 2020

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, 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 Indirect – Ordinary shares – 875,000

DIRECTORS' REPORT

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. Mr. Plowright has been involved in gold, base metals and iron ore exploration and mining development projects in Australia and worldwide. Previous experience has been built in 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 (ASX: FEX)
Former directorships in last 3 years	None
Special responsibilities	None
Interests in shares and options	Indirect – Ordinary shares – 1,000,000

Justyn Stedwell - Non-Executive Director	
Experience and expertise	Mr. Stedwell is an experienced Company Secretary consultant and director with close to 15 years' experience with ASX listed companies in various industries including IT, telecommunications, mining and exploration, bio-technology and agriculture. Since 2007, he has acted as Company Secretary for many ASX listed companies and has been involved in several successful IPO's and back door listings. Mr. Stedwell has a Bachelor of Commerce (Management & Economics) from Monash University, a Graduate Diploma of Accounting from Deakin University, Graduate Diploma in Applied Corporate Governance from the Governance Institute of Australia and a Graduate Certificate in Applied Finance from Kaplan Professional.
Other current directorships	Non-Executive Director of Fertoz Limited (ASX: FTZ); & Non-Executive Director of I-Global Holdings Limited (NSX: IGH).
Former directorships in last 3 years	Non-Executive Director of Lifespot Health Limited (ASX: LSH) - Resigned 20 July 2021; Non-Executive Director of Tymlez Group Limited (ASX: TYM) - Resigned 2 April 2020; & Non-Executive Director of ECS Botanics Holdings Limited (ASX: EXC) - Resigned 15 July 2019.
Special responsibilities	None
Interests in shares and options	None

Michael Rosenstreich - Managing Director - Resigned 1 December 2020	
Experience and expertise	Mr. Rosenstreich has extensive experience in bringing mineral projects from exploration into operations, including organising financing and offtake agreements. He has over 30 years technical, corporate and financial experience. 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	Helix Resources Limited – Appointed 11 January 2021
Former directorships in last 3 years	None
Special responsibilities	Mr. Rosenstreich was Managing Director until 1 December 2020
Interests in shares and options	Indirect – Ordinary Shares – 1,096,053 (1,000,000 to be disposed of in accordance with the terms of the ESLS) – Held at date of resignation.

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 25 years. He has provided 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).

Justyn Stedwell
Joint Company Secretary (Appointed 1 December 2020 – Ceased on 2 June 2021)
Mr. Stedwell is an experienced Company Secretary, consultant and Director with close to 15 years' experience with ASX listed companies in various industries including IT, telecommunications, mining and exploration, bio-technology and agriculture. Since 2007, he has acted as Company Secretary for many ASX listed companies and has been involved in several successful IPO's and back door listings.

Lianne Grove
Chief Operating Officer (Appointed 1 April 2021)
Chief Commercial Officer (Appointed 3 September 2018 – Ceased on 1 April 2021)

Ms. Grove is an experienced 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.

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.

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

Michael Chan
Chief Development Officer (Appointed 21 May 2018, Resigned 30 September 2019)

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).

DIRECTORS' REPORT

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 2021 and the number of meetings attended by each Director.

Directors	Meetings attended	Eligible to attend
Charles Whitfield	6	6
Garry Plowright	6	6
Justyn Stedwell	4	4
Mike Rosenstreich	2	2

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

5. CORPORATE INFORMATION

Hexagon 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 25).

6. NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

Hexagon is an Australian-listed company focused on the exploration and development of clean energy and energy materials projects.

Hexagon is focused on developing its Pedirka Blue Hydrogen Project in Australia's Northern Territory. At Pedirka, Hexagon aims to produce the blue hydrogen required to support the conversion to clean energy economics over the coming decades.

In Australia, Hexagon also owns the McIntosh nickel, copper, PGM's and graphite project and the Halls Creek gold and base materials project. In the US, Hexagon has an 80 per cent controlling interest of a graphite exploration project in Alabama.

Hexagon actively seeks ways to progress value-added enterprises consistent with its strategy, skill set, and focus on clean energy.

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 2021 (2020: nil) and no dividend is recommended for the current year.

10. FINANCIAL REVIEW

For the year ended 30 June 2021, the loss for the Consolidated Entity after providing for income tax was $1,813,077 (2020: loss of $2,341,291).

The Company received a research and development income tax concession of $161,842 (2020: $439,248) during the financial year.

At 30 June 2021 the Company had 446,013,827 ordinary shares and 4,000,000 unlisted options on issue.

DIRECTORS' REPORT

The Consolidated Entity's main expenses were as follows:

	30-Jun-21	30-Jun-20
	$	$
Business development	466,695	559,511
Corporate and administration expenses	778,851	982,923
Exploration and evaluation expenditure	685,635	1,032,839
Personnel expenses and director fees	325,666	354,812
Net reversal of share-based payments	(76,954)	(28,339)

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

	30-Jun-21	30-Jun-20
	$	$
Receipts:		
Receipt of McIntosh rehabilitation reimbursement	150,000	-
Receipt of government grant in relation to exploration assets	161,842	439,248
Proceeds from issue of shares, net of capital costs	6,356,644	-
Expenditures:		
Payments to suppliers and employees (1)	(1,409,909)	(1,245,106)
Payments for exploration and evaluation expenses	(507,039)	(1,651,766)
Payments for exploration and evaluation assets	(853,244)	(402,243)

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

11. CORPORATE

Management Changes
On 1 December 2020, Mr. Michael Rosenstreich resigned as Managing Director of the Company, agreeing to remain as an executive through a transitional process to 31 December 2020.

On 1 December 2020, Mr. Justyn Stedwell joined the Board as a non-executive Director and as joint Company Secretary through the acquisition transition.

On 1 April 2021, Ms Grove was appointed Chief Operating Officer, her previous title was Chief Commercial Officer which she was appointed on 3 September 2018.

On 2 June 2021, Mr. Justyn Stedwell ceased to be a joint Company Secretary but continues as a Non-Executive Director.

Capital Structure
On 16 October 2020, 24,097,500 unlisted employee options lapsed for nil consideration.

On 30 December 2020, 8,771,930 fully paid ordinary shares were issued at 5.7 cents a share to sophisticated investors to raise $0.5m.

On 30 December 2020, 4,000,000 unlisted options exercisable at 10 cents expiring 30 December 2022 were issued to EverBlu Capital Pty Ltd who acted as Lead Manager to the Company's placement.

On 23 March 2021, the Company issued 87,145,988 fully paid ordinary shares at an implied value of $0.06 per share, as per the terms of Hexagon's off market Takeover Bid for all of the fully paid shares in Ebony Energy Limited.

On 8 April 2021, the Company issued the final tranche of Hexagon shares to shareholders of Ebony in respect of the takeover offer. As a result, Hexagon issued 1,298,876 fully paid ordinary shares at an implied value of $0.06 per share.

On 6 May 2021, 56,363,636 fully paid ordinary shares were issued at 11 cents a share to institutional and sophisticated investors to raise $6.2m before capital raising costs.

At 30 June 2021, the Company had 446,013,827 ordinary shares and 4,000,000 unlisted options on issue.

12. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In October 2020, Hexagon announced that it had withdrawn from the option to acquire a 49% interest in the RapidSX™ for rare earth element (REE) separation technology from Innovation Metals Corp.

In parallel, the Company had been actively seeking ways in which it could progress value-added businesses that were consistent with its strategy, skill set and focus on energy materials and clean energy. During the year, Hexagon completed the acquisition of Ebony Energy, a company focused on developing its Pedirka Blue Hydrogen Project in the Northern Territory, utilising a surface gasification plant to produce 'blue' hydrogen for export and domestic markets from the project with a 'clean' zero carbon emissions target.

The Takeover Offer of Ebony Energy involved Hexagon issuing 1 Hexagon share for every 1.32 Ebony Energy shares. On 10 March 2021, the Company held its extraordinary general meeting (EGM) and received 92.93% "For" votes, via a poll, for the Ebony Energy Takeover Offer. In April 2021, Hexagon finalised the acquisition of Ebony and immediately commenced the project's pre-feasibility study (PFS) in partnership with Genesis, a subsidiary of Technip Energies.

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

13. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATION

The likely developments of the Company are anticipated to be as follows:

- **Pedirka Blue Hydrogen Project:** In April 2021, Hexagon finalised the acquisition of Ebony Energy Limited (Ebony) and immediately commenced the hydrogen production pre-feasibility study (PFS) in partnership with Genesis, a subsidiary of Technip Energies. The hydrogen production Pre-Feasibility Study (PFS) for Hexagon's NT blue hydrogen project carries on apace and is on track to be completed by the end of the year.
- **McIntosh Project – Nickel-Copper and PGMs:** Hexagon commenced a detailed structural and geological historic review over the Project area. Following this review a mapping program was commenced, along with a major soil sampling program and 3D inverse polarisation survey.
- **Halls Creek Project - Gold and Base Metals:** During the financial year the Company completed a significant airborne electromagnetic survey, using a helicopter-borne Versatile Time-Domain Electromagnetic (VTEM™ Max) system, surveying approximately 1,248 line-kilometres, flown over three areas totalling 242km^2. The results from this survey have made an important contribution to the progress of potential sale discussions for this asset.

14. REVIEW OF OPERATIONS

During the financial year, Hexagon was focused on developing its two world class projects Pedirka Blue Hydrogen Project in Australia's Northern Territory and its CU-Ni-PGM McIntosh project in Western Australia. Exploration work was also undertaken at its other domestic asset, Halls Creek Project also located in Western Australia. The Company has been working towards value accretive transactions for its non-core assets (Halls Creek and Charge Minerals in Alabama USA.

Pedirka Blue Hydrogen Project (NT, Australia)

In October 2020 Hexagon signed a confidentiality agreement with Ebony Energy permitting Hexagon to conduct due diligence on Ebony's Pedirka project in the Northern Territory. Pedirka is planned to be a zero-emission 'blue' hydrogen project targeting domestic and international markets.

In December 2020, Hexagon made an off-market takeover bid to acquire all of the issued capital of unlisted company Ebony Energy, which was accepted by the target's board.

Located in the Northern Territory, it is proposed that the Pedirka project will host a surface gasification plant to produce 'blue' hydrogen from coal feedstocks with a 'clean' zero carbon emissions target. The hydrogen produced will be sold to domestic and export markets. In addition to being 'clean', hydrogen is a versatile energy source with applications across the transport, electricity, industrial and heating sectors.

In April 2021, Hexagon finalised the acquisition of Ebony and immediately commenced the hydrogen production pre-feasibility study (PFS) in partnership with Genesis, a subsidiary of Technip Energies. The hydrogen production Pre-Feasibility Study (PFS) for Hexagon's NT blue hydrogen project carries on apace and is on track to be completed by the end of the year.

At the same, Hexagon has been advancing discussions with government and private sector entities to accelerate the pathway to hydrogen production at Pedirka.

In May 2021, Hexagon held numerous meetings with various NT Government departments in order to brief them on the project, confirm drill approval requirements, and progress the licensing/permitting process. Later that month, Hexagon also engaged with traditional landowners and other key stakeholders to confirm the site of the drilling campaign.

In July 2021, the Company announced that it had lodged its Mine Management Plan (MMP) for the Project with the Northern Territory (NT) Government. This plan is a crucial part of the preparatory work required before the exploration drilling program at Pedirka gets underway.

McIntosh Project - Nickel-Copper, PGM and Graphite (Kimberley, WA Australia)

Hexagon was originally attracted to the 16 East Kimberley tenements that make-up the McIntosh Project due to its prospectivity for graphite mineralisation. But in mid-2020 management broadened its exploration ambitions to also target the tenement's potential to host copper, nickel and platinum group metals (PGM).

This pivot was the product of two forces: past and current exploration success in the East Kimberley and the potential for a secular upturn in demand for, and pricing of, the base metals that will make a clean energy future possible.

No base metals exploration had been undertaken on the McIntosh tenements since around 2005. Since then, the McIntosh project has been recognised for Ni-Cu-PGM potential with known occurrences and deposits including Future Metals' +2 Moz Panton PGM Project to the south of the project area, Panoramic Resources' Copernicus Ni-Cu Deposit and regionally includes Panoramic Resources' Savannah & Savannah North Ni-Cu operations. Most recently, Buxton Resources' Merlin nickel-copper discovery in the West Kimberley which is now under JV with IGO Ltd has also contributed to the story.

The base metals prospectivity of the region was originally established over two decades earlier by Panoramic Resources' discovery and subsequent development of Savannah nickel-copper deposit.

Having decided to revive the search for base metals across its McIntosh tenements, Hexagon undertook a review of Western Australia's minerals database, WAMEX. Hexagon revisited 388 reports generated from the McIntosh area from 1967 to 2018, identifying and then digitising 29,588 geochemical samples and the results of 70 drill holes (
Figure 1).

Analysis of multi-client data and publicly available geophysical data sets by TECT Geological Consulting affirmed the potential of the McIntosh Project to host nickel, copper and PGM mineralisation and alerted Hexagon to the similarity of the East Kimberley geology to South Africa's Bushveld complex, which is the world's biggest platinum basin.

TECT's analysis identified a collection of high priority, high potential targets for further study across the McIntosh tenements including Melon Patch, Melon Patch North, Mabel Hill, Jackal and Hyena.

Hexagon secured the services of Dr. Mark Rieuwers, a highly experienced geologist with SRK Consulting, to lead a geological mapping program, focusing on ground truthing the targets and areas of interest highlighted in the historic geochemical and structural review. Recently 159 initial assay results have been returned from a total of 290 rock chip samples taken during the mapping program (refer to HXG ASX Announcement dated 19 August 2021 for further details).

These samples were collected to both characterise the underlying geology and confirm historic results (Figure 1). A number of samples were identified to have remnant sulphides present including; MCI094: 4.58% Cu, 25.11g/t Pt-Pd-Au, 0.32% Ni, 6.12g/t Ag and MCI108: 6.24% Cu, 0.21g/t Pt-Pd-Au, 0.41% Ni, 1.26g/t Ag (Table 1). MCI094 was sampled from a known cupriferous gossan at Melon Patch North (Figure 3).

Spurred on by the positive assays, Hexagon has moved quickly to start systematic soil sampling across the McIntosh targets and to initiate a 3D geophysical survey over a five-kilometre strike zone of the Melon Patch prospect.

A 27-line kilometre 3D Inverse Polarisation (3D-IP) geophysical survey is currently being undertaken at the Melon Patch Prospect. The 3D IP survey is over a strike of five kilometres across the north-eastern portion on the mapped Panton Sill intrusion and its contact with the Tickalara Metamorphics. The aim of the survey is to detect the presence of disseminated sulphide mineralisation, that can then be drill tested.

As part of the soil sampling program Hexagon has signed a research agreement with Australian national science agency CSIRO to participate in its UltraFine soils geochemistry program.

This innovative program uses machine learning combined with the UltraFine+TM workflow, which has been developed to separate "ultrafine" soil fractions for multi-element analysis. The CSIRO technology deploys technologies that have rarely been used in mainstream exploration that allow for deeper physio-chemical analysis.

Hexagon believes this new approach to assaying combined with machine learning will add value to the work current being undertaken at the McIntosh Project.

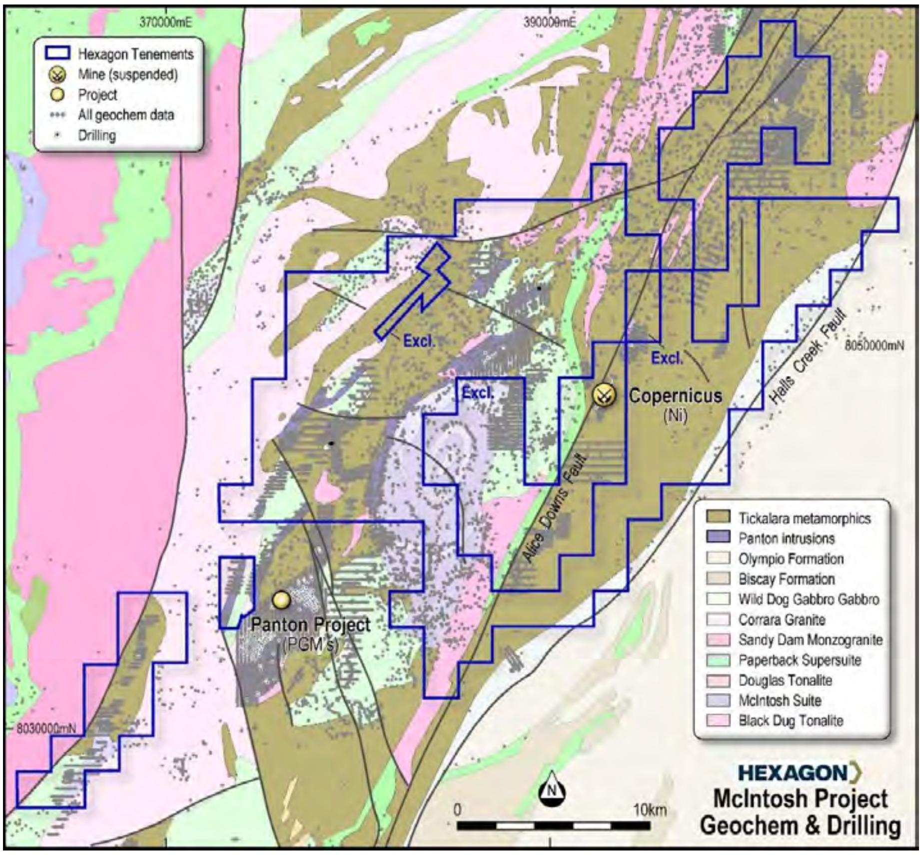

Figure 1: Collated Geochemical Sampling and drilling over the McIntosh Tenement Area

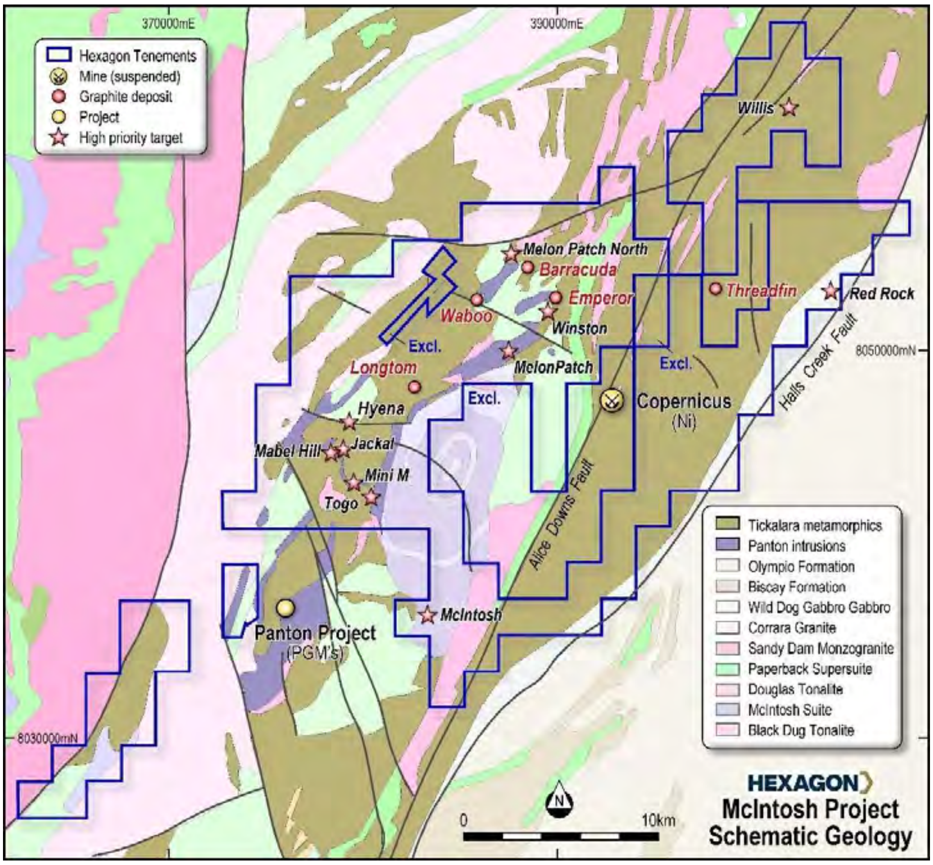

Figure 2: McIntosh Project showing priority targets highlighted in current review.

DIRECTORS' REPORT

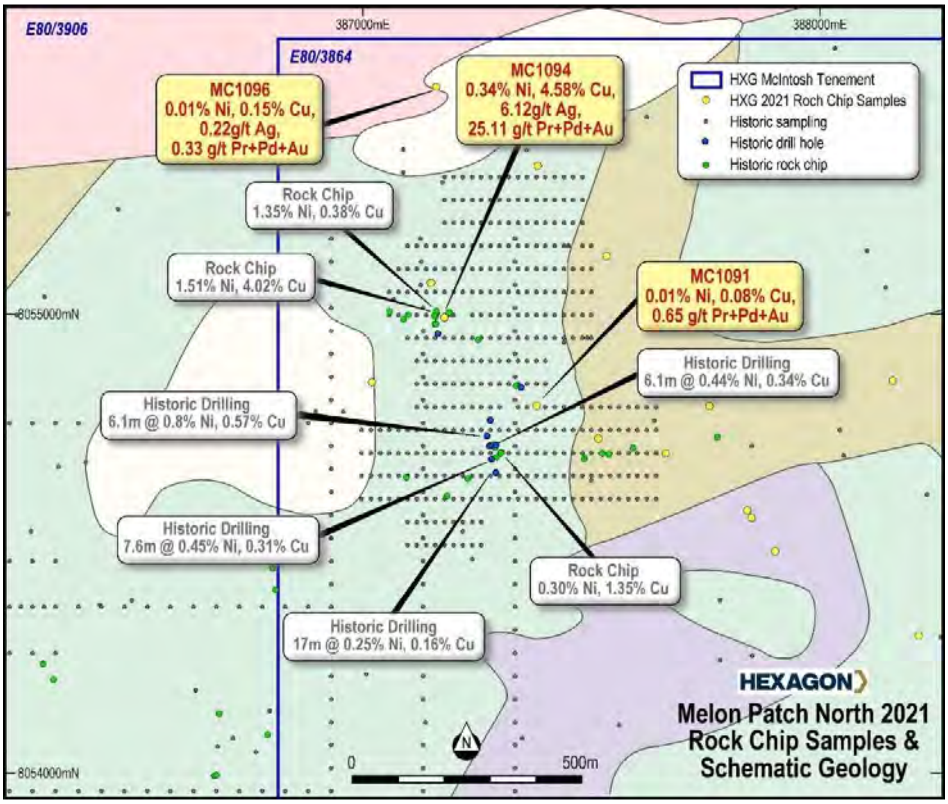

Figure 3: Melon Patch North prospect with recently returned rock chip results (See HXG ASX Announcement 19 August 2021) and previously reported historic results (See HXG ASX Announcement: 28 June 2021).

Table 1: Selected significant reconnaissance rock chip results based on lower selection criteria of > 0.1% Ni or >0.1 % Cu.

Sample ID	Easting MGA94_Z52	Northing MGA94_Z52	Tenement	Prospect	Sulphide Visually Identified	Ni pct	Cu pct	Co pct	Pd g/t	Pt g/t	Au g/t	Ag g/t
MCI002	388559	8051838	E 80/3864	Melon Patch	Y	0.11	0.08	0.01	0.01	0.02	0.05	0.85
MCI020	387291	8050437	E 80/3864	Melon Patch	-	0.10	0.00	0.01	0.01	0.00	0.00	0.03
MCI028	**386994**	**8049396**	**E 80/3864**	**Melon Patch**	**-**	**0.15**	**0.01**	**0.03**	**1.28**	**0.87**	**0.01**	**0.03**
MCI059	388212	8052133	E 80/3864	Melon Patch	-	0.12	0.00	0.01	0.01	0.00	0.00	0.03
MCI060	388131	8052147	E 80/3864	Melon Patch	-	0.12	0.00	0.01	0.01	0.00	0.00	0.03
MCI062	388044	8052091	E 80/3864	Melon Patch	-	0.19	0.00	0.01	0.00	0.00	0.00	0.03
MCI065	387584	8051760	E 80/3864	Melon Patch	-	0.10	0.00	0.01	0.00	0.00	0.00	0.03
MCI091	**387380**	**8054798**	**E 80/3864**	**Melon Patch North**	**Y**	**0.01**	**1.08**	**0.00**	**0.01**	**0.01**	**0.63**	**4.10**
MCI094	**387179**	**8054996**	**E 80/3864**	**Melon Patch North**	**Y**	**0.32**	**4.58**	**0.01**	**0.22**	**24.69**	**0.20**	**6.12**
MCI096	387160	8055500	E 80/3864	Melon Patch North	Y	0.01	0.15	0.00	0.01	0.32	0.00	0.22
MCI101	388168	8054854	E 80/3864	Melon Patch North	-	0.12	0.04	0.01	0.01	0.02	0.00	0.03
MCI108	**378543**	**8044843**	**E 80/4733**	**Jackal**	**-**	**0.41**	**6.24**	**0.03**	**0.11**	**0.03**	**0.08**	**1.26**
MCI110	378373	8045028	E 80/4733	Mabel Hill	Y	0.06	0.19	0.01	0.01	0.00	0.00	0.08
MCI140	378938	8043535	E 80/3907	Mini M	-	0.11	0.03	0.01	0.04	0.06	0.00	0.03
MCI141	378974	8043543	E 80/3907	Mini M	-	0.12	0.16	0.01	0.03	0.09	0.14	0.03

Halls Creek Project - Gold and Base Metals (Kimberley, WA Australia)

The Halls Creek region is known for high-grade gold deposits such as those currently being mined by Pantoro Ltd (ASX: PNR) at the Nicholson's Find Gold Mine. Additionally, the historical Butchers Creek Gold Mine located less than one kilometre to the west of Hexagon's tenements and new Golden Crown South prospects, are currently being drilled by Meteoric Resources NL (ASX: MEI).

In September 2020, the Company defined two significant new gold in soil anomalies at the Bent Ridge and Golden Crown South prospects which were sampled in July and August.

The scale of the anomalies is very encouraging with anomalous gold values defined over lengths of 1.4 kilometres and 3 kilometres at the Golden Crown South and Bent Ridge prospects, respectively. Significantly, the Golden Crown South anomaly occurs in an area not tested previously for gold and overlies fault structures regionally associated with known gold deposits.

In May 2021, the Company commenced a significant Versatile Time-Domain Electromagnetic (VTEM™ Max) airborne electromagnetic survey of the Halls Creek Project. The survey is designed to target potential Volcanic Massive Sulphide style mineralisation within the Kongie Park Formation Project (see HXG ASX announcement11 February 2020).

The helicopter-borne Versatile Time-Domain Electromagnetic (VTEM™ Max) system was flown by UTS Geophysics (Geotech) on 200 metre line spacing. It surveyed approximately 1,248 line-kilometres, spread over three areas totaling 242km^2 (Figure 1).

Geophysical consultant, Karen Gilgallon from Southern Geoscience Consultants (SGC), was commissioned to assist in planning the survey and oversaw the delivery of daily data as the survey progressed. Based on the preliminary interpretations and target generation work, five priority anomalies were identified as outlined below (Table 1) (refer to HXG Announcement dated 22 July 2021 for further details).

Table 2: Five (5) High Priority VTEM Targets at the Halls Creek Project

Target	Easting	Northing	Grid	Comments
HCV_01	342175	7994525	MGA94_52	Strong late time VTEM anomalies with short strike length,
HCV-02	374260	7997295	MGA94_52	VTEM anomaly high amplitude late time partially defined
HCV-03	367898	7991771	MGA94_52	VTEM Anomaly high amplitude late time anomaly moderated strike length (~450m). Directly south of a defined magnetic anomaly.
HCV-04	358004	7987319	MGA94_52	Discreet VTEM anomaly 200m wide, coincidental magnetic anomalies with a prominent zone of structural disruption and lithological change in Kongie Park
HCV-05	356546	7989355	MGA94_52	Discreet short strike length VTEM anomaly

A 3D Induced Polarisation (IP) survey was also completed over the Lady Helen, Granite and Bent Ridge prospects. The interpretations from this survey are currently outstanding and will be used to aid in finalising drill program design at Bent Ridge and to refine drill targets at the remaining prospects (Figure 1).

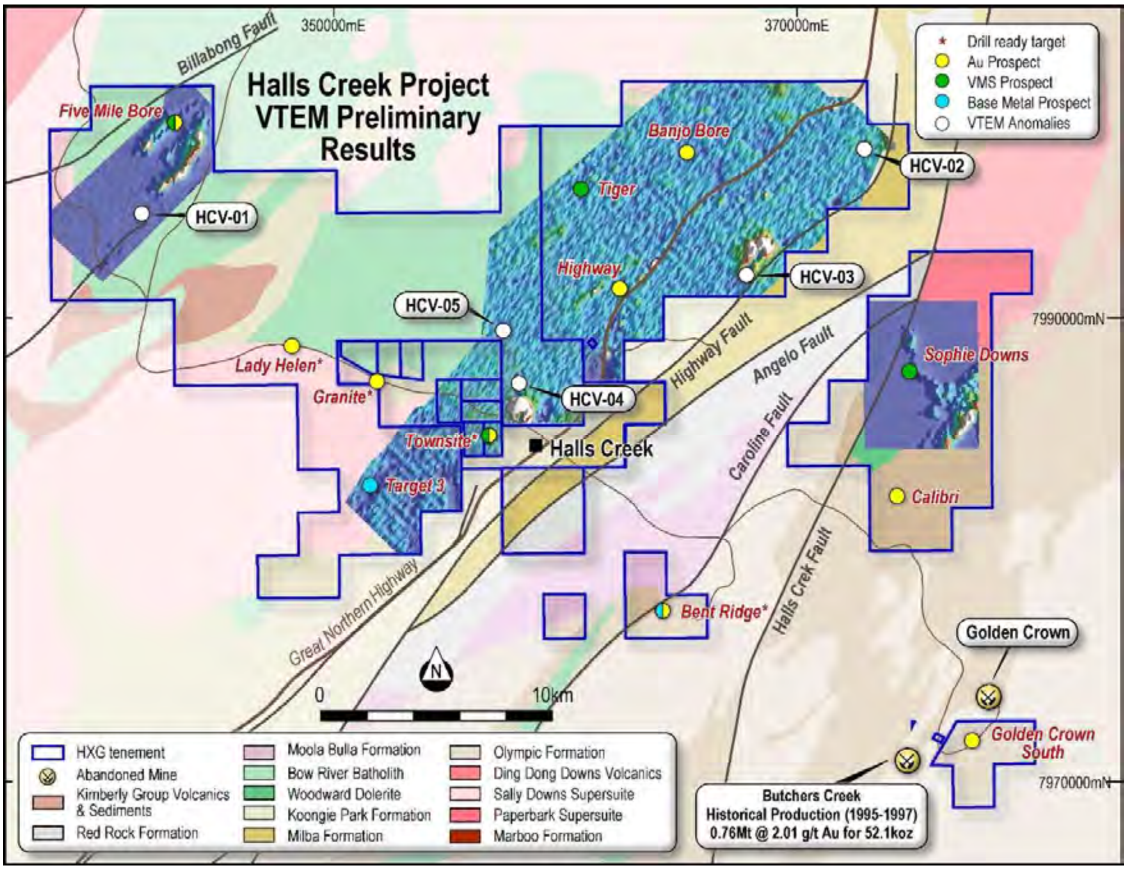

Figure 4: Showing high priority VTEM anomalies on preliminary late-time (BFZ45) imagery, at the Hall Creek Project.

Alabama Graphite Projects (Alabama USA)

Hexagon has an 80% interest in several early-stage graphite exploration projects located in Alabama, USA, including the historic, Ceylon Mine workings.

In July 2019, the Company undertook metallurgical test work on a series of bulk samples excavated from the site which totaled over 100 tonnes. Bench-scale and pilot-scale tests were carried out on one composite sample and a 20-tonne bulk sample from Ceylon Mine Project.

Concentrate assaying 97.4% Total Graphite Content was produced through rougher, one re-grind and five cleaning stages. Recovery was high with only 1.6% of the graphite reporting to tails. As much as 8.2% of the final concentrate was premium +300 µm jumbo flake. The high concentrate grade and coarse size distribution highlight good market potential for Ceylon flake-graphite concentrate (See HXG ASX announcement 31/01/2020).

With a renewed interest in domestic graphite in the US, the Company is considering options to realise the value in this asset.

Competent Persons' Attributions
Exploration Results

The information within this report that relates to Exploration Results, geological data and Metallurgical test results at the McIntosh, Alabama and Halls Creek Projects is based on information compiled by Mr Michael Atkinson and is subject to the individual consents and attributions provided in the original ASX reports referred to in the text of this report. Mr. Atkinson is not aware of any other new information or data that materially affect the information included in the original market announcements referred to above and considers that all material assumptions and technical parameters have not materially changed.

Mr Atkinson is a consultant to the Company and a member of the Australian Institute of Geoscientists. He 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 the above information in the form and context in which it appears in this report.

15. INTEREST IN EXPLORATION TENEMENTS

Hexagon Energy Materials Limited held the following interests in exploration tenements as at 30 June 2021:

Pedirka Blue Hydrogen Project (NT, Australia)				
Tenement	**Ownership Status**	**Application Date**	**Grant Date**	**Expiry Date**
EL29237	100% Hexagon	28/11/2011	04/01/2013	03/01/2023
EL29239	100% Hexagon	28/11/2011	04/01/2013	03/01/2023

McIntosh, WA				
Tenement	**Ownership Status**	**Application Date**	**Grant Date**	**Expiry Date**
E80/3864	100% Hexagon	29/01/2007	08/04/2008	7/04/2022
E80/3906	100% Hexagon	16/03/2007	03/12/2008	2/12/2022
E80/3907	100% Hexagon	16/03/2007	03/12/2008	2/12/2022
E80/3928	100% Hexagon	17/04/2007	02/06/2009	1/06/2023
E80/4688	100% Hexagon	15/02/2012	25/10/2012	24/10/2022
E80/4732	100% Hexagon	24/08/2012	14/11/2013	13/11/2023
E80/4733	100% Hexagon	28/08/2012	15/11/2013	14/11/2023
E80/4734	100% Hexagon	29/08/2012	17/09/2014	16/09/2024
E80/4739	100% Hexagon	20/09/2012	14/11/2013	13/11/2023
E80/4825	100% Hexagon	28/08/2013	03/09/2014	2/09/2024
E80/4841	100% Hexagon	03/12/2013	27/08/2014	26/08/2024
E80/4842	100% Hexagon	03/12/2013	27/08/2014	26/08/2024
E80/4879	100% Hexagon	12/05/2014	23/07/2015	22/07/2025
E80/4931	100% Hexagon	16/12/2014	12/08/2015	11/08/2025
E80/5151	100% Hexagon	13/10/2017	05/07/2019	4/07/2024
E80/5157	100% Hexagon	13/11/2017	05/07/2019	4/07/2024
P80/1821	100% Hexagon	31/10/2013	27/08/2014	26/08/2022

Halls Creek, WA				
Tenement	**Ownership Status**	**Application Date**	**Grant Date**	**Expiry Date**
E80/4793	100% Hexagon	17/05/2013	03/11/2014	2/11/2024
E80/4794	100% Hexagon	17/05/2013	03/09/2014	2/09/2024
E80/4795	100% Hexagon	17/05/2013	10/12/2014	9/12/2024
E80/4858	100% Hexagon	23/01/2014	06/05/2016	5/05/2023
E80/5126	75% Hexagon	15/08/2017	25/10/2019	24/10/2024
P80/1799 *	100% Hexagon	09/05/2012	03/09/2013	2/09/2021
P80/1800 *	100% Hexagon	09/05/2012	03/09/2013	2/09/2021
P80/1801 *	100% Hexagon	09/05/2012	03/09/2013	2/09/2021
P80/1814	100% Hexagon	05/09/2013	07/10/2014	6/10/2022
P80/1815	100% Hexagon	05/09/2013	07/10/2014	6/10/2022
P80/1816	100% Hexagon	05/09/2013	07/10/2014	6/10/2022
P80/1817	100% Hexagon	05/09/2013	07/10/2014	6/10/2022
P80/1818	100% Hexagon	05/09/2013	07/10/2014	6/10/2022

Alabama, USA				
Tenement	**Ownership Status**	**Application Date**	**Grant Date**	**Expiry Date**
MLAs**	80% Hexagon		28/02/2019	27/02/2024

* Tenements will not be renewed upon expiry.

** 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 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	Lapsed during the year	Balance at the end of the year
Options - T1 (1)	25-Sep-17	16-Oct-20	$0.15	**8,032,500**	-	(8,032,500)	-
Options - T2 (1)	25-Sep-17	16-Oct-20	$0.17	**8,032,500**	-	(8,032,500)	-
Options - T3 (1)	25-Sep-17	16-Oct-20	$0.20	**8,032,500**	-	(8,032,500)	-
Options	30-Dec-20	30-Dec-22	$0.10	-	4,000,000	-	**4,000,000**
Total				**24,097,500**	**4,000,000**	**(24,097,500)**	**4,000,000**

(1) During the period, 24,097,500 unlisted employee options lapsed for nil consideration. These options have been reversed through equity via the Consolidated Statement in Changes of Equity.

19. REMUNERATION REPORT - AUDITED

This report for the year ended 30 June 2021 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	Resignation Date
Charles Whitfield	Non-Executive Director and Non-Executive Chairman	22 August 2016 5 May 2017	Not applicable Not applicable
Garry Plowright	Non-Executive Director	10 June 2015	Not applicable
Justyn Stedwell	Non-Executive Director + Joint Company Secretary	1 December 2020 1 December 2020	Not applicable 2 June 2021
Michael Rosenstreich (1)	Managing Director	17 March 2017	1 December 2020

DIRECTORS' REPORT

Other KMP	Position	Appointment Date	Cessation Date
Rowan Caren	Company Secretary	18 September 2017	Not applicable
Lianne Grove	Chief Operating Officer Chief Commercial Officer	1 April 2021 3 September 2018	Not applicable 1 April 2021

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 2020 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 Secretaries and the Chief Operating Officer ('COO').

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 2021 Non-Executive Director fees ranged from $36,000 to $40,000 per annum (2020: $40,000 per annum) for each director.

As at 30 June 2021 the Chairman was entitled to receive fees of $65,000 per annum (2020: $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:

	2021	2020	2019*	2018*	2017*
Share price at end of financial year ($)	0.07	0.04	0.09	0.21	0.09
Market capitalisation at end of financial year ($M)	30.77	11.70	27.43	61.27	22.17
Loss for the financial year ($)	1,813,077	2,341,291	3,522,805	2,826,627	2,063,085
Director and KMP remuneration	653,926	883,477	1,694,912	1,316,989	973,791

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 or rights 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 2021 financial year to review management and other staff remuneration packages.

D. Details of Remuneration

During the financial year ended 30 June 2021 and 30 June 2020 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 2021:

	Short Term Employee Benefits			Long Term Employee Benefits	Post-Employment Benefits	Share-based Payments		Share-based Payments Related %
	Salary & Fees	Bonus	Consulting fees	Leave Entitlements	Super-annuation	Shares & Options	Total	
30-Jun-21	**$**	**$**	**$**	**$**	**$**	**$**	**$**	
Directors								
Charles Whitfield	65,000	-	85,000	-	-	-	**150,000**	-
Garry Plowright	38,000	-	-	-	3,610	-	**41,610**	-
Justyn Stedwell	34,500	-	-	-	-	-	**34,500**	-
Michael Rosenstreich (1)	159,247	-	-	(31,483)	14,464	(35,159)	**107,069**	(33%)
Sub-Total	**296,747**	**-**	**85,000**	**(31,483)**	**18,074**	**(35,159)**	**333,179**	
Other KMP		-						
Rowan Caren	51,300	-	-	-	-	-	**51,300**	-
Lianne Grove	222,658	-	-	21,013	25,776	-	**269,447**	-
Sub-Total	**273,958**	**-**	**-**	**21,013**	**25,776**	**-**	**320,747**	
Total	**570,705**	**-**	**85,000**	**(10,470)**	**43,850**	**(35,159)**	**653,926**	

(1) On 1 December 2020 Mr Michael Rosenstreich resigned as Managing Director of the Company.

Table 2: Remuneration of Directors and other KMP of the Group for the year ended 30 June 2020:

	Short Term Employee Benefits			Long Term Employee Benefits	Post-Employment Benefits	Share-based Payments		Share-based Payments Related %
	Salary & Fees	Bonus	Consulting fees	Leave Entitlements	Super-annuation	Shares & Options	Total	
30-Jun-20	**$**	**$**	**$**	**$**	**$**	**$**	**$**	
Directors								
Charles Whitfield	65,000	-	85,000	-	-	73,383	**223,383**	33%
Michael Rosenstreich	287,085	-	-	16,307	24,990	118,018	**446,400**	26%
Garry Plowright	38,000	-	-	-	3,610	15,726	**57,336**	27%
Sub-Total	**390,085**	**-**	**85,000**	**16,307**	**28,600**	**207,127**	**727,119**	
Other KMP								
Rowan Caren	51,300	-	-	-	-	875	**52,175**	2%
Lianne Grove	228,000	-	-	8,975	21,660	8,428	**267,063**	3%
Michael Chan (2)	75,558	-	-	(9,149)	6,250	(235,539)	**(162,880)**	145%
Sub-Total	**354,858**	**-**	**-**	**(174)**	**27,910**	**(226,236)**	**156,358**	
Total	**744,943**	**-**	**85,000**	**16,133**	**56,510**	**(19,109)**	**883,477**	

(2) Michael Chan resigned as Chief Development Officer on 30 September 2019.

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

30-Jun-21	Balance at 1/07/2020	Granted as Remuneration	Shares Sold on Market	Other [(2)]	Balance at 30/06/2021
Directors					
Charles Whitfield	**4,126,214**	-	-	875,000	**5,001,214**
Garry Plowright	**1,000,000**	-	-	-	**1,000,000**
Justyn Stedwell	**-**	-	-	-	**-**
Michael Rosenstreich [(1)]	**1,096,053**	-	-	-	**1,096,053**
Other KMP					
Rowan Caren	**-**	-	-	-	**-**
Lianne Grove	**837,000**	-	(137,000)	-	**700,000**
Total	**7,059,267**	**-**	**(137,000)**	**875,000**	**7,797,267**

(1) Shares held at date of resignation. Of these shares, 1,000,000 relate to the Employee Share Loan Scheme, summarised below:

Tranche 1 - 500,000 Shares:

- Following the resignation of Mr. Rosenstreich, effective 1 December 2020, Mr. Rosenstreich was provided the opportunity to repay the loan under the Employee Share Loan Scheme ("ESLS"). As payment was not received by the due date, the Tranche 1 vested shares are to be disposed of in accordance with the terms of the ESLS and Mr Rosenstreich shall have no further liability to the Company in respect of the loan and will cease to have any rights in respect of those shares.

Tranche 2 - 500,000 shares:

- On 1 December 2020, Mr Rosenstreich resigned as Managing Director. As the vesting conditions in respect to 500,000 shares held by Mr. Rosenstreich issued under the ESLS were not satisfied prior to his resignation as Managing Director, the Tranche 2 unvested shares will be disposed of in accordance with the terms of the ESLS and Mr Rosenstreich shall have no further liability to the Company in respect of the loan and will cease to have any rights in respect of those shares.

(2) Shares issued on 23 March 2021 in exchange for Ebony shares converted from convertible notes held by that entity subject to the Ebony Energy bid conditions, refer to Bidders Statement dated 16 February 2021, page 27.

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

30-Jun-21	Balance at 1/07/2020	Granted as remuneration	Options Exercised	Net Change Other [(1)]	Balance at 30/06/2021
Directors					
Charles Whitfield	**8,925,000**	-	-	(8,925,000)	**-**
Garry Plowright	**1,912,500**	-	-	(1,912,500)	**-**
Justyn Stedwell	**-**	-	-	-	**-**
Michael Rosenstreich	**12,750,000**	-	-	(12,750,000)	**-**
Other KMP					
Rowan Caren	**225,000**	-	-	(225,000)	**-**
Lianne Grove	**-**	-	-	-	**-**
Total	**23,812,500**	**-**	**-**	**(23,812,500)**	**-**

(1) During the financial year, all unlisted employee options lapsed for nil consideration. These options have been reversed through equity via the Consolidated Statement in Changes of Equity.

E. Contractual Arrangements

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.

Agreement with Non-Executive Director – Justyn Stedwell

The agreement for Non-Executive Director Services:

- has no specified term;
- involves the payment to Justyn Stedwell of $1,500 per month (Plus GST) from appointment date to 2 June 2021. From 2 June 2021 the fee increased to $3,000 per month (Plus GST);
- has provision for one month's notice for termination by either the Company or Justyn Stedwell; and
- otherwise contains standard terms relating to confidentiality, conflicts of interest and representations and warranties.

The agreement for Joint Company Secretary Services:

- has no specified term, however Mr. Stedwell resigned as Joint Company Secretary from 2 June 2021;
- involves the payment to Justyn Stedwell of $3,750 per month (plus GST) up until 2 June 2021 which was the date Mr Stedwell resigned from his position as Joint Company Secretary;
- otherwise contains standard terms relating to confidentiality, conflicts of interest and representations and warranties.

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. On 1 December 2020, Mr. Michael Rosenstreich resigned as Managing Director of the Company, agreeing to remain as an executive through a transitional process to 31 December 2020.

The Employment Agreement contained the following terms and conditions:

- involved 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;
- 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 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 $4,500 plus GST. The contract provides for a 30-day notice period.

Agreement with Chief Operating 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. On 1 April 2021, Ms Grove was appointed Chief Operating Officer and her annual salary increased to $290,000 per annum plus superannuation. Ms. Grove is also entitled to participate in the employee share scheme at the discretion of the Board.

Agreement with Chief Development Officer

Mr. Michael Chan was appointed Chief Development Officer on 21 May 2018. Mr Chan resigned from his role as Chief Development Officer on 30 September 2019. The employment agreement provided an annual salary of $284,700 inclusive of superannuation and contained a provision for three months' notice of termination by either party. Mr. Chan was 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.

On 1 April 2020 Directors, KMP and certain key consultants voluntarily accepted a 20% to 30% reduction in salary and fees for 6 months during the global COVID-19 Pandemic to assist the Company preserve its cash and minimise expenditure.

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

No incentive-based options were issued as remuneration to Directors or other KMP during the year ended 30 June 2021 (2020: nil).

Employee Share Loan Scheme Shares

No employee share loan scheme shares were issued as remuneration to Directors or other KMP during the year ended 30 June 2021.

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.

G. Equity Instruments Issued on Exercise of Remuneration Options or Rights

There were no other remuneration options, rights or shares exercised during the year ended 30 June 2021.

DIRECTORS' REPORT

H. Value of Shares to KMP

An entity associated with Charles Whitfield, received a total of 875,000 Hexagon shares in exchange for the conversion of convertible notes issued by Ebony.

There were no other shares issued to KMP during the year ended 30 June 2021.

I. Voting and comments made at the Company's 2020 AGM

The Company received 95% "Yes" votes on a poll in respect of its Remuneration Report for the 2020 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

There were no loans made to any KMP during the year ended 30 June 2021 (2020: nil).

K. Loans from KMP

There were no loans from any KMP during the year ended 30 June 2021 (2020: 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 (2020: $85,000).

An entity associated with Charles Whitfield is currently a creditor with respect to Ebony Energy for Director fees accrued prior to the acquisition. These rights have an audited book value in Ebony Energy's accounts at 30 June 2021 of $195,085.

There were no other transactions with KMP during the financial year ended 30 June 2021.

End of Remuneration Report

20. 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://hxgenergymaterials.com.au/corporate/corporate-governance/.

21. NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments other than 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-21	30-Jun-20
	$	$
Remuneration for other services		
Taxation services	19,425	11,378
Technical advice including R&D Claims	18,269	12,631
Total Non-Audit Services	**37,694**	**24,009**

22. EVENTS SINCE THE END OF THE FINANCIAL YEAR

The impact of the Coronavirus (COVID-19) pandemic is ongoing. The situation continues to evolve and has resulted in significant restrictions on the ability of the Company's Board and KMP to travel. Easing of these restrictions is dependent on measures imposed by the Australian Government and other countries, such as vaccination policy, maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

The directors are not aware of any 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.

23. AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration forms part of the Directors' Report and is attached on page 25.

Signed in accordance with a resolution of the Board of Directors

Charles Whitfield
Non-Executive Chairman
17 September 2021

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Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF HEXAGON ENERGY MATERIALS LIMITED

As lead auditor of Hexagon Energy Materials Limited for the year ended 30 June 2021, 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 Energy Materials Limited and the entities it controlled during the period.

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 17 September 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

	Note	30-Jun-21 $	30-Jun-20 $
Other income	6	384,298	517,250
Exchange differences on translation of foreign currencies		(15,409)	43,205
Business development		(466,695)	(559,511)
Corporate and administration expenses	7	(778,851)	(982,923)
Exploration and evaluation expenditure	7	(685,635)	(1,032,839)
Loss on disposal of plant and equipment		(2,073)	-
Personnel expenses and director fees	7	(325,666)	(354,812)
Net reversal of share-based payments	21	76,954	28,339
Loss from continuing operations before income tax		**(1,813,077)**	**(2,341,291)**
Income tax expense	8	-	-
Loss from continuing operations after income tax		**(1,813,077)**	**(2,341,291)**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Exchange differences on translation of foreign operations	19	-	2,467
Loss on revaluation of equity investments at FVOCI		-	(71,296)
Other comprehensive loss for the year, net of tax		-	**(68,829)**
Total comprehensive loss for the year		**(1,813,077)**	**(2,410,120)**
Loss from continuing operations for the year is attributable to:			
Owners of Hexagon Energy Materials Limited		(1,813,077)	(2,323,844)
Non-controlling interests		-	(17,447)
		(1,813,077)	**(2,341,291)**
Total comprehensive loss for the year is attributable to:			
Owners of Hexagon Energy Materials Limited		(1,813,077)	(2,392,673)
Non-controlling interests		-	(17,447)
		(1,813,077)	**(2,410,120)**
Loss per share attributable to ordinary equity holders			
- Basic and diluted loss per share	9	(0.005)	(0.008)

The Consolidated Statement of Profit or Loss & Other Comprehensive Income should be read in conjunction with the Notes to the Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30-Jun-21	30-Jun-20
		$	$
ASSETS			
Current assets			
Cash and cash equivalents	10(a)	5,051,746	1,205,587
Trade and other receivables		129,625	18,509
Total current assets		**5,181,371**	**1,224,096**
Non-current assets			
Trade and other receivables		5,500	5,500
Plant and equipment		20,936	15,360
Other assets	11	-	170,395
Exploration and evaluation assets	12	13,314,152	1,583,396
Right of use assets	14	26,162	61,042
Total non-current assets		**13,366,750**	**1,835,693**
Total assets		**18,548,121**	**3,059,789**
LIABILITIES			
Current liabilities			
Trade and other payables	15	2,048,958	269,147
Provisions	16	35,715	45,204
Lease liability	17	27,439	35,314
Total current liabilities		**2,112,112**	**349,665**
Non-current liabilities			
Lease liability	17	-	27,439
Total non-current liabilities		**-**	**27,439**
Total liabilities		**2,112,112**	**377,104**
Net assets		**16,436,009**	**2,682,685**
EQUITY			
Contributed equity	18	74,507,303	58,857,850
Reserves	19	107,716	2,413,317
Accumulated losses	20	(58,179,010)	(58,588,482)
Total equity		**16,436,009**	**2,682,685**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Contributed Equity $	Reserves $	Accumulated Losses $	Total Equity $
Balance at 1 July 2020	**58,857,850**	**2,413,317**	**(58,588,482)**	**2,682,685**
Comprehensive income:				
Loss for the year	-	-	(1,813,077)	**(1,813,077)**
Total comprehensive loss for the year	**-**	**-**	**(1,813,077)**	**(1,813,077)**
Transactions with owners in their capacity as owners:				
Issue of share capital	15,986,711	-	-	**15,986,711**
Capital raising costs	(431,508)	88,152	-	**(343,356)**
Share based payments	-	(76,954)	-	**(76,954)**
Options expired	-	(2,220,082)	2,220,082	**-**
Performance options exercised & transferred to issued capital	94,250	(94,250)	-	**-**
Exchange differences on translation of foreign operations	-	(2,467)	2,467	**-**
At 30 June 2021	**74,507,303**	**107,716**	**(58,179,010)**	**16,436,009**

	Attributable to owners of Hexagon Energy Materials Limited					
	Contributed Equity $	Reserves $	Accumulated Losses $	Total $	Non-controlling interests $	Total Equity $
Balance at 1 July 2019 as previously reported	**58,857,850**	**2,500,485**	**(45,268,027)**	**16,090,308**	**17,447**	**16,107,755**
Change in accounting policy	-	-	**(10,986,611)**	**(10,986,611)**	-	**(10,986,611)**
Balance at 1 July 2019 restated	**58,857,850**	**2,500,485**	**(56,254,638)**	**5,103,697**	**17,447**	**5,121,144**
Comprehensive income:						
Loss for the year	-	-	(2,323,844)	**(2,323,844)**	(17,447)	**(2,341,291)**
Exchange differences on translation of foreign operations	-	2,467	-	**2,467**	-	**2,467**
Revaluation of equity Investments at FVOCI	-	(61,296)	(10,000)	**(71,296)**	-	**(71,296)**
Total comprehensive loss for the year	**-**	**(58,829)**	**(2,333,844)**	**(2,392,673)**	**(17,447)**	**(2,410,120)**
Transactions with owners in their capacity as owners:						
Share based payments	-	(28,339)	-	**(28,339)**	-	**(28,339)**
At 30 June 2020	**58,857,850**	**2,413,317**	**(58,588,482)**	**2,682,685**	**-**	**2,682,685**

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-21	30-Jun-20
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,409,909)	(1,245,106)
Payments for exploration and evaluation expenses		(507,039)	(1,661,766)
Receipt of McIntosh rehabilitation reimbursement		150,000	-
Interest received		1,571	33,210
Interest expense		-	(3,156)
Net cash used in operating activities	**10(c)**	**(1,765,377)**	**(2,876,818)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash acquired from acquisition of subsidiary	13	29,557	-
Payments for plant and equipment		(12,466)	-
Payment for option fee - Innovation Metals Corp		-	(170,395)
Payments for exploration and evaluation	12	(853,244)	(402,243)
Receipt of government grant in relation to exploration assets		161,842	439,248
Net cash used in investing activities		**(674,311)**	**(133,390)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		6,356,644	-
Payment for lease liability		(55,388)	(33,170)
Net cash provided by / (used in) financing activities		**6,301,256**	**(33,170)**
Net increase / (decrease) in cash and cash equivalents		**3,861,568**	**(3,043,378)**
Cash and cash equivalents at the beginning of the year		1,205,587	4,203,294
Net foreign exchange differences		(15,409)	45,671
Cash and cash equivalents at the end of the year	**10(a)**	**5,051,746**	**1,205,587**

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 Energy Materials Limited 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 Financial Report. The consolidated financial statements of the Company as at and for the year ended 30 June 2021 comprise the Company and its subsidiaries. The Group is primarily involved in resources, energy materials, and clean energy.

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 is a for-profit entity for the purpose of preparing the financial statements.

The financial report was authorised for issue by the Directors on 17 September 2021.

(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

These financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

For the year ended 30 June 2021 the group recorded a loss of $1,813,077 and net cash outflows from operating activities of $1,765,377. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business

The ability of the entity to continue as a going concern is dependent on securing additional funding through capital raising or other fund-raising activities to continue its operational activities in the next 12 months. The Directors consider that additional working capital will be able to be raised as required and that the Group will continue as a going concern and as such the financial report has been prepared on 'a going concern' basis. In arriving at this position, the Directors have considered the following matters:

- The Group has the ability to defer some of its exploration expenditure to conserve working capital if necessary;
- Should it be required, the Directors are satisfied that the Company could raise additional funds by either a form of equity raising such as a share purchase plan or entitlements issue or from the sale of non-core assets to fund on-going exploration commitments and for working capital.

The Directors are satisfied that there are sufficient opportunities to raise additional working capital as required and thus it is appropriate to prepare the financial statements on a going concern basis.

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

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. ACCOUNTING POLICIES

(a) Foreign Currency Translation

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.

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 Comprehensive Income, within finance costs. All other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income on a net basis within other income or other expenses.

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 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.

(b) Goods and Services Tax (GST)

Revenues and expenses are recognised net of the amount of GST, except where the amount of GST is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the item of expense to which it relates.

Assets are recognised net of the amount of GST, except where the amount of GST is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability.

Cash flows are reported on a gross basis and inclusive of GST. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(c) 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. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(d) Other Accounting Policies

Other significant accounting policies are included in the relevant notes. These policies have been consistently applied to all years presented, unless otherwise stated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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:

Asset Acquisition

During the financial year, Hexagon completed the acquisition of Ebony Energy, a company focused on developing its Pedirka Blue Hydrogen Project in the Northern Territory, utilising a surface gasification plant to produce ‘blue’ hydrogen for export and domestic markets from the project with a ‘clean’ zero carbon emissions target. The Takeover Offer of Ebony Energy involved Hexagon issuing 1 Hexagon share for every 1.32 Ebony Energy shares. In April 2021, Hexagon finalised the acquisition of Ebony and issued Ebony shareholders a total of 88,444,864 fully paid ordinary shares to acquire all outstanding shares in Ebony Energy Limited.

The Company has determined that the acquisition of Ebony Energy should be treated as an asset acquisition and not a business combination, as the acquisition does not meet the requirements of AASB3. Refer to Note 13 for further detail.

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 Group previously capitalised exploration and evaluation expenditure in relation to its McIntosh and Alabama projects and carried forward the expenditure to the extent that they were expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves. During the previous financial year however, Hexagon changed its accounting policy so that all exploration and evaluation expenditure in relation to its McIntosh and Alabama Project will be expensed as incurred until a time where an asset is in development.

The Group continues to capitalise exploration and evaluation expenditure in relation to its Gold and Hydrogen Projects and performs regular reviews on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to these areas of interest.

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.

Coronavirus (CODID-19) Pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, these does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavorably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. OTHER INCOME

	30-Jun-21	30-Jun-20
	$	$
Interest income	958	28,002
Research and development income tax concession	161,842	439,248
Exploration and evaluation rehabilitation (i)	150,000	-
ATO COVID-19 subsidy	67,500	-
Other revenue	3,998	50,000
	384,298	**517,250**

(i) Funds received from Mineral Resources Limited for rehabilitation of recent and legacy exploration activity at the McIntosh Project.

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-21	30-Jun-20
	$	$
Corporate and administration expenses		
Accounting and finance expenses	164,308	161,846
Compliance and regulatory expenses	220,728	203,671
Consulting and corporate expenses	122,319	102,604
Depreciation expense	4,817	6,308
Investor relations and promotional expenses	155,742	213,962
Insurance expense	18,794	19,605
IT expenses	26,410	12,996
Rent expense	54,954	61,143
Travel and accommodation expenses	5,576	167,646
Other administration expenses	5,203	33,142
	778,851	**982,923**
Exploration and evaluation expenditure		
Exploration and evaluation expenditure on McIntosh Project	685,635	1,032,839
	685,635	**1,032,839**
Personnel expenses and director fees		
Wages and salaries, including superannuation	207,056	248,202
Director fees and other benefits	118,610	106,610
	325,666	**354,812**

8. INCOME TAX EXPENSE

	30-Jun-21	30-Jun-20
	$	$
Accounting loss before income tax	(1,813,077)	(2,341,291)
Tax at the Australian tax rate of 30% (2020: 30%)	(543,923)	(702,387)
Expiry of performance rights and share-based payments	-	(8,502)
Research & development benefits	(48,553)	-
Other permanent differences	53,041	(146,774)
Deferred tax assets not bought to account	539,435	857,663
Income tax expense/benefit	**-**	**-**
Deferred tax liability		
Unrealised foreign exchange	14,398	34,454
Lease	1,094	434
Research and development assets/exploration	947,075	395,997
Other temporary differences	-	184
	962,567	**431,069**
Offset of deferred tax assets	(962,567)	(431,069)
Net deferred tax liability recognised	**-**	**-**
Unrecognised deferred tax asset		
Tax losses	9,411,003	8,170,163
Other temporary differences	557,286	150,161
	9,968,289	**8,320,324**
Offset of deferred tax liabilities	(962,567)	(431,069)
Net deferred tax assets	**9,005,722**	**7,889,255**

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.

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.

8. INCOME TAX EXPENSE (CONTINUED)

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-21	30-Jun-20
Net loss attributable to the ordinary equity holders of the Group ($)	(1,813,077)	(2,323,844)
Weighted average number of ordinary shares for basic loss per share (No)	329,881,597	292,170,555
Continuing operations		
- Basic and diluted loss per share ($)	(0.005)	(0.008)

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.

10. CASH AND CASH EQUIVALENTS

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

	30-Jun-21	30-Jun-20
	$	$
Cash on hand and at bank	2,504,906	758,747
Short-term deposits	2,546,840	446,840
	5,051,746	**1,205,587**

(b) Interest rate risk exposure

The Group's exposure to interest rate risk is discussed in Note 22: Financial Risk Management.

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

	30-Jun-21	30-Jun-20
	$	$
Loss after income tax	(1,813,077)	(2,341,291)
Adjustments for:		
Depreciation	4,817	6,308
Exchange differences on translation of foreign currencies	15,409	(43,205)
Lease amortisation and interest	36,645	-
Loss on disposal of plant and equipment	2,073	-
Share based payments	(76,954)	(28,339)
Research and development income tax concession	(161,842)	(439,248)
Change in operating assets and liabilities		
(Increase) / decrease in receivables	(111,729)	10,305
Increase / (decrease) in trade payables and accruals	348,770	(46,731)
(Decrease) / increase in employee entitlements	(9,489)	5,383
Net cash outflow from operating activities	**(1,765,377)**	**(2,876,818)**

10. CASH AND CASH EQUIVALENTS (CONTINUED)

(d) Non-cash financing and investing activities

During the year $88,152 in non-cash investing activities related to the 4,000,000 unlisted options issued to EverBlu Capital Pty Ltd who acted as Lead Manager to the Company's placement. These options have been recognised as capital raising costs in Note 18, Contributed Equity.

No other non-cash financing and investing activities have occurred during the year ended 30 June 2021.

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.

11. OTHER ASSETS

	30-Jun-21	30-Jun-20
	$	$
Current assets		
Rapid^{SX} Technology option fee	-	170,395
	-	**170,395**

In October 2020, Hexagon announced that it had withdrawn from the Option to acquire a 49% interest in the Rapid^{SX} for rare earth element (REE) separation technology from Innovation Metals Corp. As a result, the option fee for the Rapid^{SX} Technology was written off during the financial year.

12. EXPLORATION AND EVALUATION ASSETS

In the year ending 30 June 2020, the Group changed its accounting treatment of its McIntosh and Alabama exploration and evaluation expenditure in accordance with standard AASB 6: Exploration for and Evaluation of Mineral Resources. Previously, the Group capitalised exploration and evaluation expenditure and carried forward the expenditures to the extent that they were expected to be recouped through successful development. The result of this accounting change means that the Group will expense all McIntosh and Alabama exploration and evaluation expenditure until a time where an asset is in development.

		30-Jun-21	30-Jun-20
		$	$
Carrying amount of exploration and evaluation expenditure		13,314,152	1,583,396
<u>Movement reconciliation</u>			
Balance at the beginning of the financial year		**1,583,396**	**1,157,648**
Exploration expenditure during the year		1,136,059	425,748
Acquired through share consideration	13	10,594,697	-
Balance at the end of the financial year		**13,314,152**	**1,583,396**

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

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.

13. ASSET ACQUISITION

During the financial year, Hexagon completed the acquisition of Ebony Energy, a company focused on developing its Pedirka Blue Hydrogen Project in the Northern Territory, utilising a surface gasification plant to produce ‘blue’ hydrogen for export and domestic markets from the project with a ‘clean’ zero carbon emissions target. The Takeover Offer of Ebony Energy involved Hexagon issuing 1 Hexagon share for every 1.32 Ebony Energy shares. In April 2021, Hexagon finalised the acquisition of Ebony and issued Ebony shareholders a total of 88,444,864 fully paid ordinary shares to acquire all outstanding shares in Ebony Energy Limited, comprising two tranches:

- On 23 March 2021 Hexagon issued 87,145,988 fully paid ordinary shares; and
- On 8 April 2021 Hexagon issued 1,298,876 fully paid ordinary shares.

	23-Mar-21
	$
Net Assets Acquired	9,286,711
Fair value of net assets acquired are as follows:	
Cash and cash equivalents	29,557
Other receivables	11,933
Exploration and evaluation expenditure	10,594,697
Total assets	**10,636,187**
Trade and other payables	6,498
Accruals	1,342,978
Total liabilities	**1,349,476**
Net assets of Ebony Energy Ltd acquired	**9,286,711**

Accounting Policy

Asset Acquisition not constituting a Business

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

14. RIGHT OF USE ASSETS

	30-Jun-21	30-Jun-20
	$	$
Office building - right-of-use	95,923	95,923
Less: Accumulated depreciation	(69,761)	(34,881)
	26,162	**61,042**

The Group leases a building for its office which is under agreement, expiring 11 April 2022.

Recognition and Measurement
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

15. TRADE AND OTHER PAYABLES

	30-Jun-21	30-Jun-20
	$	$
Trade payables	640,622	182,628
Other payables and accrued expenses	1,408,336	86,519
	2,048,958	**269,147**

Liquidity risk exposure
The Group's exposure to liquidity risk is discussed in Note 22: Financial Risk Management.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. PROVISIONS

	30-Jun-21	30-Jun-20
	$	$
Provision for annual leave	35,715	45,204
	35,715	**45,204**

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 probable 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.

17. LEASE LIABILITY

	30-Jun-21	30-Jun-20
	$	$
Current liability		
Lease Liability	27,439	35,314
	27,439	**35,314**

	30-Jun-21	30-Jun-20
	$	$
Non-Current liability		
Lease Liability	-	27,439
	-	**27,439**

Recognition and Measurement
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

18. CONTRIBUTED EQUITY

(a) Issued and fully paid

	30-Jun-21		30-Jun-20	
	$	No.	$	No.
Fully paid ordinary shares	74,507,303	446,013,827	58,857,850	292,433,397
	74,507,303	**446,013,827**	**58,857,850**	**292,433,397**

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 2019		**291,783,397**	**58,857,850**
Shares issued upon conversion of performance rights (1)	25/11/2019	650,000	-
Balance 30 June 2020		**292,433,397**	**58,857,850**
Performance options exercised & transferred to issued capital		-	94,250
Share placement (2)	3/12/2020	8,771,930	500,000
First tranche of Hexagon shares issued to shareholders of Ebony (3)	23/03/2021	87,145,988	9,150,329
Final tranche of Hexagon shares issued to shareholders of Ebony (4)	8/04/2021	1,298,876	136,382
Share placement (5)	6/05/2021	56,363,636	6,200,000
Share issue expenses		-	(431,508)
Balance 30 June 2021		**446,013,827**	**74,507,303**

(1) On 25 November 2019, 650,000 fully paid ordinary shares were issued to Ms Lianne Grove (Chief Operating Officer) upon conversion of performance rights.

(2) On 30 December 2020, 8,771,930 fully paid ordinary shares were issued at 5.7 cents a share to sophisticated investors to raise $0.5m, before capital raising costs. As part of this placement, the Company issued EverBlu Capital Pty Ltd (the Lead Manager) 4,000,000 unlisted options valued at $88,152 which has been recognised as a share issue cost. Refer Note 21: Share Based Payments, for detail regarding the valuation of the unlisted options.

(3) On 23 March 2021, 87,145,988 fully paid ordinary shares were issued to Ebony shareholders as per the terms of Hexagon's off market Takeover Bid for all of the fully paid shares in Ebony. Refer Note 13: Asset Acquisition for further detail regarding the valuation of the shares.

(4) On 8 April 2021, 1,298,876 fully paid ordinary shares were issued to Ebony shareholders as the final tranche of Hexagon shares to shareholders of Ebony in respect of the takeover offer. Refer Note 13: Asset Acquisition for further detail regarding the valuation of the shares.

(5) On 6 May 2021, 56,363,636 fully paid ordinary shares were issued at 11 cents a share to institutional and sophisticated investors to raise $6.2m, before capital raising costs.

(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.

18. CONTRIBUTED EQUITY (CONTINUED)

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.

19. RESERVES

	30-Jun-21	30-Jun-20
	$	$
Options reserve	88,152	2,220,082
Share loan scheme reserve	19,564	96,518
Performance rights reserve	-	94,250
Foreign currency translation reserve	-	2,467
	107,716	**2,413,317**

Option reserve

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

	30-Jun-21	30-Jun-20
	$	$
Movement reconciliation		
Balance at the beginning of the financial year	**2,220,082**	**2,034,495**
Vesting expenses relating to options during the year	88,152	194,787
Options expired	(2,220,082)	(9,200)
Balance at the end of the financial year	**88,152**	**2,220,082**

Share loan scheme reserve

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

	30-Jun-21	30-Jun-20
	$	$
Movement reconciliation		
Balance at the beginning of the financial year	**96,518**	**100,849**
Vesting expenses relating to share loan scheme during the year	-	16,503
Reversal of share-based payment expense	(76,954)	(20,834)
Balance at the end of the financial year	**19,564**	**96,518**

Performance rights reserve

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

	30-Jun-21	30-Jun-20
	$	$
Movement reconciliation		
Balance at the beginning of the financial year	**94,250**	**303,845**
Vesting expenses relating to performance rights during the year	-	62,367
Reversal of share-based payment expense	-	(271,962)
Performance options exercised & transferred to issued capital	(94,250)	-
Balance at the end of the financial year	**-**	**94,250**

19. RESERVES (CONTINUED)

Foreign currency translation reserve

This reserve is used to record exchange differences arising on the translation of foreign controlled entities.

	30-Jun-21	30-Jun-20
	$	$
Movement reconciliation		
Balance at the beginning of the financial year	**2,467**	**-**
Effect of translation of foreign currency operations to group presentation currency	(2,467)	2,467
Balance at the end of the financial year	**-**	**2,467**

20. ACCUMULATED LOSSES

	30-Jun-21	30-Jun-20
	$	$
Movement reconciliation		
Balance at the beginning of the financial year	**(58,588,482)**	**(56,254,638)**
Net loss during the year	(1,813,077)	(2,323,844)
Revaluation of equity investments at FVOCI	-	(10,000)
Options expired	2,220,082	-
Exchange differences on translation of foreign operations	2,467	-
Balance at the end of the financial year	**(58,179,010)**	**(58,588,482)**

21. SHARE BASED PAYMENTS

	Number of options & shares	Share-based payment at 30-Jun-21	Reversal of share-based payment at 30-Jun-21
Employee and Consultants Options (i)	-	-	($2,220,082)
Capital Raise Options (ii)	4,000,000	$88,152	-
Loan Scheme Shares (iii)	150,000	-	($76,954)
Total	**4,150,000**	**$88,152**	**($2,297,036)**

(i) Employee and Consultants Options

Details of employee and consultant options issued, exercised and cancelled 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	Lapsed during the year	Balance at the end of the year
Options - T1	25-Sep-17	16-Oct-20	$0.15	**8,032,500**	-	-	(8,032,500)	-
Options - T2	25-Sep-17	16-Oct-20	$0.17	**8,032,500**	-	-	(8,032,500)	-
Options - T3	25-Sep-17	16-Oct-20	$0.20	**8,032,500**	-	-	(8,032,500)	-
Total				**24,097,500**	**-**	**-**	**(24,097,500)**	**-**

During the financial year, 24,097,500 unlisted employee options lapsed for nil consideration. These options have been reversed through equity via the Consolidated Statement in Changes of Equity.

21. SHARE BASED PAYMENTS (CONTINUED)

(ii) Capital Raise Options

Options	Grant Date	Expiry Date	Exercise Price	Balance at the start of the year	Granted during the year	Exercised during the year	Lapsed during the year	Balance at the end of the year
Options	30-Dec-20	30-Dec-22	$0.10	-	4,000,000	-	-	4,000,000
Total				-	**4,000,000**	**-**	**-**	**4,000,000**

On 30 December 2020, 4,000,000 unlisted options exercisable at $0.10 expiring 30 December 2022 were issued to EverBlu Capital Pty Ltd who acted as Lead Manager to the Company's placement. These options have been recognised as capital raising costs in Note 18, Contributed Equity.

The model and assumptions for the unlisted options issued to corporate advisory consultants are shown in the table below:

	Unlisted Options
Grant date	30-Dec-20
Expected volatility	96%
Risk-free rate average	0.08%
Expected life (years)	2
Exercise price	$0.10
Number issued	4,000,000
Share price at grant date	$0.059
Fair value (each)	$0.022
Total fair value	**$88,152**

The fair value of the equity-settled options has been estimated at the grant date, using a Black-Scholes model taking into account the terms and conditions upon which the options were granted. The Company was unable to value the services of EverBlu Capital Pty Ltd and therefore considered the Black-Scholes model to be the most appropriate valuation method. The Company has recognized the entire share-based payment expense immediately as the options are exercisable at any time on or prior to the expiry date.

(iii) Loan Scheme Shares

Details of loan scheme shares issued, exercised and cancelled / lapsed 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	Lapsed during the year	Balance at the end of the year
M Rosenstreich[(a)]	25-Sep-17	25-Sep-27	$0.11	**1,000,000**	**-**	**-**	(1,000,000)	**-**
L Grove	21-Jan-19	4-Feb-29	$0.14	**150,000**	**-**	**-**	-	**150,000**
Total				**1,150,000**	**-**	**-**	**(1,000,000)**	**150,000**

(a) M Rosenstreich:

- **Tranche 1 - 500,000 Shares:**
  - Following the resignation of Mr. Rosenstreich, effective 1 December 2020, Mr. Rosenstreich was provided the opportunity to repay the loan under the Employee Share Loan Scheme ("ESLS"). As payment was not received by the due date, the Tranche 1 vested shares are to be disposed of in accordance with the terms of the ESLS and Mr Rosenstreich shall have no further liability to the Company in respect of the loan and will cease to have any rights in respect of those shares.
- **Tranche 2 - 500,000 shares:**
  - On 1 December 2020, Mr Rosenstreich resigned as Managing Director. As the vesting conditions in respect to 500,000 shares held by Mr. Rosenstreich issued under the ESLS were not satisfied prior to his resignation as Managing Director, the Tranche 2 unvested shares will be disposed of in accordance with the terms of the ESLS and Mr Rosenstreich shall have no further liability to the Company in respect of the loan and will cease to have any rights in respect of those shares.

21. SHARE BASED PAYMENTS (CONTINUED)

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

	L Grove -T1-T3
Grant date	21-Jan-19
Expected volatility	100%
Risk-free rate average	2.29%
Expected life (years)	10.047
Dividend yield	N/A
Exercise price	$0.1421
Number issued	150,000
Share price at grant date	$0.145
Fair value (each)	$0.13
Total fair value	**$19,564**

Vesting Conditions:

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.

Of the 200,000 incentive shares issued to Ms Grove, 125,000 incentive shares (Tranche 1-2) were fully vested at 30 June 2019 and a further 25,000 incentive shares (Tranche 3) were fully vested at 30 June 2020. The remaining 50,000 incentive shares (Tranche 4-5) held by Ms Grove lapsed on 30 June 2020 as the non-market and market performance hurdles were not satisfied.

22. 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-21	30-Jun-20
	$	$
Financial assets		
Cash and cash equivalents	5,051,746	1,205,587
Trade and other receivables	135,125	24,009
	5,186,871	**1,229,596**
Financial liabilities		
Trade and other payables	2,048,958	269,147
Lease liability	27,439	62,753
	2,076,397	**331,900**
Net exposure	**3,110,474**	**897,696**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 2021, the Consolidated Entity had the following exposure to foreign currency:

	30-Jun-21	30-Jun-20
	$	$
Financial assets:		
Cash and cash equivalents – US Dollar	750	526,495
Financial liabilities:		
Trade and other payables - US Dollar	2,123	36,837
Net exposure	**(1,373)**	**489,658**

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-21	30-Jun-20	30-Jun-21	30-Jun-20
	$	$	$	$
Judgements of reasonably possible movements:				
+ 10.0%	125	(44,514)	125	(44,514)
- 10.0%	(154)	54,405	(154)	54,405

(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-21		30-Jun-20	
	Weighted average interest rate	Balance $	Weighted average interest rate	Balance $
Cash and cash equivalents	0.12%	5,051,746	0.36%	1,205,587

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 2021, 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-21	30-Jun-20	30-Jun-21	30-Jun-20
	$	$	$	$
Judgements of reasonably possible movements:				
+ 1.0% (100 basis points)	50,517	12,056	50,517	12,056
- 1.0% (100 basis points)	(50,517)	(12,056)	(50,517)	(12,056)

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.

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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.

(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-21	30-Jun-20
	$	$
Cash at bank and short-term bank deposits:		
Financial institutions - Standard & Poor's rating of AA-	5,051,746	1,205,587
	5,051,746	**1,205,587**

(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 lease liabilities 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 2021.

Contractual maturities of financial liabilities	<6 months	>6-12 months	>12 months	Total contractual cash flows	Carrying amount
	$	$	$	$	$
30-Jun-21					
Trade and other payables	705,980	-	1,342,978	2,048,958	2,048,958
Lease Liability	17,478	9,961	-	27,439	27,439
	723,458	**9,961**	**1,342,978**	**2,076,397**	**2,076,397**
30-Jun-20					
Trade and other payables	269,147	-	-	269,147	269,147
Lease Liability	17,478	17,836	27,439	62,753	62,753
	286,625	**17,836**	**27,439**	**331,900**	**331,900**

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

23. 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 Operating Officer.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. SEGMENT REPORTING (CONTINUED)

(i) Segment performance

	Exploration USA	Exploration Australia	Administration	Total
30-Jun-21	**$**	**$**	**$**	**$**
Revenue				
Interest income	-	-	958	**958**
Research & development income tax concession	-	161,842	-	**161,842**
Exploration and evaluation rehabilitation	-	150,000	-	**150,000**
Other income	-	-	71,498	**71,498**
Total segment revenue	**-**	**311,842**	**72,456**	**384,298**
Reconciliation of segment results to net loss before tax				
Amounts not included in segment results but reviewed by the Board				
- Exploration and evaluation expenditure	(61,075)	(624,560)	-	(685,635)
- Corporate and administration expenses				(1,045,045)
- Business development				(466,695)
Net loss before tax from continuing operations				**(1,813,077)**

	Exploration USA	Exploration Australia	Administration	Total
30-Jun-20	**$**	**$**	**$**	**$**
Revenue				
Interest income	-	-	28,002	**28,002**
Research & development income tax concession	-	439,248	-	**439,248**
Other income	-	-	50,000	**50,000**
Total segment revenue	**-**	**439,248**	**78,002**	**517,250**
Reconciliation of segment results to net loss before tax				
Amounts not included in segment results but reviewed by the Board				
- Exploration and evaluation expenditure	(769,480)	(263,359)	-	(1,032,839)
- Corporate and administration expenses				(1,266,191)
- Business development				(559,511)
Net loss before tax from continuing operations				**(2,341,291)**

(ii) Segment assets

	Exploration USA	Exploration Australia	Administration	Total
	$	**$**	**$**	**$**
30-Jun-21				
Total segment asset	**-**	**13,314,152**	**5,233,969**	**18,548,121**

	Exploration USA	Exploration Australia	Administration	Total
	$	**$**	**$**	**$**
30-Jun-20				
Total segment asset	**-**	**1,583,396**	**1,476,393**	**3,059,789**

23. SEGMENT REPORTING (CONTINUED)

(iii) Segment liabilities

	Exploration USA	Exploration Australia	Administration	Total
	$	$	$	$
30-Jun-21				
Total segment liabilities	-	520,694	1,591,418	2,112,112

	Exploration USA	Exploration Australia	Administration	Total
	$	$	$	$
30-Jun-20				
Total segment liabilities	-	23,949	328,872	352,821

24. 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-21	30-Jun-20
	$	$
Short-term benefits	655,705	829,943
Long-term benefits	(10,470)	16,133
Post-employment benefits	43,850	56,510
Net reversal of share-based payments	(35,159)	(19,109)
	653,926	**883,477**

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

Transactions with Related Parties

Consulting Services

Drumrock Capital Ltd, an entity associated with Mr Charles Whitfield, provided consulting services totaling $85,000 to the Company during the financial year (2020: $85,000).

Acquisition of Ebony Energy

An entity associated with Charles Whitfield (Chairman), is currently a creditor with respect to Ebony Energy for Director fees accrued prior to the acquisition. These rights have an audited book value in Ebony Energy's accounts at 30 June 2021 of $195,085.

An entity associated with Charles Whitfield, received a total of 875,000 Hexagon shares in exchange for the conversion of convertible notes issued by Ebony.

There were no other transactions with KMP during the financial year ended 30 June 2021.

25. PARENT ENTITY INFORMATION

The Parent Entity of the Consolidated Entity is Hexagon Energy Materials Limited.

	30-Jun-21	30-Jun-20
	$	$
Current assets	5,179,017	1,224,096
Non-current assets	12,021,648	1,835,696
Total assets	**17,200,665**	**3,059,792**
Current liabilities	764,656	1,317,591
Non-current liabilities	-	24,283
Total liabilities	**764,656**	**1,341,874**
Net assets	**16,436,009**	**1,717,918**
Issued capital	74,507,303	58,857,850
Reserves	107,716	2,410,850
Accumulated losses	(58,179,010)	(59,550,782)
Total equity	**16,436,009**	**1,717,918**
Loss after income tax	(2,790,962)	(1,859,171)
Other comprehensive income	-	(71,296)
Total comprehensive income	**(2,790,962)**	**(1,930,467)**

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 has no contingent liabilities and or contingent assets or guarantees at balance date.

Controlled Entities of the Parent Entity	**Percentage Owned**		**Country of Incorporation**
	2021	**2020**	
Ebony Energy Ltd [(1)]	100%	-	Australia
Pedirka Basin Pty Ltd [(1)]	100%	-	Australia
Halls Creek Resources Pty Ltd	100%	100%	Australia
McIntosh Resources Pty Ltd	100%	100%	Australia
Advanced Particle Group Pty Ltd	100%	100%	Australia
Hexagon Holdings Australia Pty Ltd	100%	100%	Australia
Hexagon Graphene Pty Ltd	100%	100%	Australia
Hexagon Holdings USA Inc	100%	100%	United States of America
Energy Materials of America LLC	100%	100%	United States of America
Charge Minerals LLC	80%	80%	United States of America

(1) During the financial year, Hexagon completed the acquisition of Ebony Energy, a company focused on developing its Pedirka Blue Hydrogen Project in the Northern Territory, utilising a surface gasification plant to produce 'blue' hydrogen for export and domestic markets from the project with a 'clean' zero carbon emissions target. The Takeover Offer of Ebony Energy involved Hexagon issuing 1 Hexagon share for every 1.32 Ebony Energy shares. In April 2021, Hexagon finalised the acquisition of Ebony and issued Ebony shareholders a total of 88,444,864 fully paid ordinary shares to acquire all outstanding shares in Ebony Energy Limited.

26. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. COMMITMENTS

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-21	30-Jun-20
	$	$
Exploration obligations to be undertaken:		
Payable within one year	1,212,278	1,098,268
Payable within one year and five years	1,856,835	2,634,418
	3,069,113	**3,732,686**

During the financial year the Company entered into contracts for its Pre-Feasibility Study (“PFS”) at its Pedirka Blue Hydrogen Project. As announced on 19 May 2021 Hexagon signed a contract with Genesis, a subsidiary of Technip Energies, and assembled a team with expertise covering all aspects of the PFS. Hexagon has contractual commitments at 30 June 2021 totaling $618,185.

Other than the commitments noted above, there has been no other material change in the Groups commitments during the year.

28. 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.

29. AUDITOR’S REMUNERATION

	30-Jun-21	30-Jun-20
BDO Audit (WA) Pty Ltd	$	$
Remuneration paid or payable for:		
- Auditing and reviewing the financial reports	47,709	39,328
Non-audit services:		
- Taxation services - BDO Tax (WA) Pty Ltd	19,425	11,378
- Technical advice including R&D claims - BDO Tax (WA) Pty Ltd	18,269	12,631
Total auditors’ remuneration	**85,403**	**63,337**

30. EVENTS AFTER END OF FINANCIAL YEAR

The impact of Coronavirus (COVID-19) pandemic is ongoing. The situation continues to evolve and has resulted in significant restrictions on the ability of the Company’s Board and KMP to travel. Easing of these restrictions is dependent on measures imposed by the Australia government and other countries, such as vaccination policy, maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

The directors are not aware of any 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 2021 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 16 to 23 of the directors' report (as part of audited Remuneration Report), for the year ended 30 June 2021, comply with section 300A of the *Corporations Act 2001.*

5. The directors have been given the declarations by the Non-Executive Chairman and Chief Operating 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:

Charles Whitfield
Non-Executive Chairman
17 September 2021

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INDEPENDENT AUDITOR'S REPORT

To the members of Hexagon Energy Materials Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Hexagon Energy Materials Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other 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 2021 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

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

Acquisition of Ebony Energy Limited

Key audit matter	*How the matter was addressed in our audit*
The Group acquired 100% of the interest in Ebony Energy Limited during the period through the issue of shares as disclosed in Note 13. The Group accounted for the transaction as an asset acquisition, after consideration and assessment of AASB 3 *Business Combinations* ("AASB 3"). The accounting for this acquisition is a key audit matter due to the significant value of the acquisition and the significant judgements and assumptions made by management, including: • Determination of the purchase consideration for the acquisition; • Assessment of the fair value of the assets acquired and liabilities assumed; and • Determination that the acquisition did not meeting the definition of a business combination in accordance of a business combination in accordance with AASB 3 and therefore constituted an asset acquisition. As a result, this is considered a key audit matter.	Our procedures included, but were not limited to: • Obtaining an understanding of the transaction, including an assessment of whether the transaction constituted an asset or business acquisition; • Reviewing the sale and purchase agreement to understand key terms and conditions; • Assessing management's determination of the fair value of share-based consideration paid, considering the appropriateness of the valuation methodology used and agreeing the consideration to supporting documentation; • Agreeing the net assets acquired and that costs associated with the acquisition were accounted for in line with the Group's accounting policy for the Pedirka Project area of interest; and • Assessing the adequacy of the related disclosures in Note 5 and 13 to the financial report.

Recoverability of exploration and evaluation expenditure

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Note 12 to the Financial Report, the carrying value of the capitalised exploration and evaluation expenditure represents a significant asset of the group. Refer to Note 5 of the Financial Report for a description of the accounting policy and significant judgements applied to capitalised exploration and evaluation expenditure. In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources ("AASB 6")*, the recoverability of exploration and evaluation expenditure requires significant judgement by management in determining whether there are any facts or circumstances that exist to suggest that the carrying amount of this asset may exceed its recoverable amount. As a result, this is considered a key audit matter.	Our procedures included, but were not limited to: • Obtaining a schedule of the areas of interest held by the Group and assessing whether the rights to tenure of those areas of interest remained current at the balance date; • Considering the status of the ongoing exploration programmes in the respective areas of interest by holding discussions with management, and reviewing the Group's exploration budgets, ASX announcements and director's minutes; • Considering whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; • Considering whether any facts or circumstances existed to suggest impairment testing was required; and • Assessing the adequacy of the related disclosures in Note 5 and 12 of the Financial Report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's director report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon, which we obtained prior to the date of this auditor's report, and the annual report, which is expected to be made available to us after that date.

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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

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:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 16 to 23 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Hexagon Energy Materials Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit (WA) Pty Ltd

BDO

JPrue

Jarrad Prue

Partner

Perth, 17 September 2021

SHAREHOLDER INFORMATION

The following additional information was applicable as at 30 August 2021.

1. Fully paid ordinary shares

- There are a total of 446,013,827 ordinary fully paid shares on issue which are listed on the ASX.
- The number of holders of fully paid ordinary shares is 2,773.
- 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	74	14,470	0.00%
1,001 - 5,000	305	1,185,054	0.27%
5,001 - 10,000	602	4,807,181	1.08%
10,001 - 100,000	1,333	49,520,587	11.10%
100,001 - 9,999,999,999	459	390,486,535	87.55%
Totals	**2,773**	**446,013,827**	**100.00%**

3. Holders of Performance Rights

There are no performance rights on issue.

4. Holders of non-marketable parcels

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

There are 540 shareholders who hold less than a marketable parcel of shares, amounting to 2,121,893 shares or 0.48% of issued capital.

5. 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	32,017,951	8.22%

6. Share buy-backs

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

7. 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

8. Top 20 Shareholders of ordinary fully paid shares

The top 20 largest fully paid ordinary shareholders together held 41.28% of the securities in this class and are listed below:

Rank	Holder Name	Securities	% of Issued
1	CITICORP NOMINEES PTY LIMITED	25,436,711	5.70%
2	UBS NOMINEES PTY LTD	23,304,742	5.23%
3	INVESTORLINK DIRECT PORTFOLIO PTY LIMITED	13,882,640	3.11%
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,622,141	3.05%
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	10,823,278	2.43%
6	CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	10,477,553	2.35%
7	LENARK PTY LTD <LENARK INVESTMENT A/C>	9,284,075	2.08%
8	LEFT BRAIN STRATEGIES PTY LTD <LEFT BRAIN STRATEGIES A/C>	9,020,427	2.02%
9	JOJO ENTERPRISES PTY LTD <SFI FAMILY A/C>	8,440,909	1.89%
10	INVESTORLINK SUPER PTY LIMITED	7,350,000	1.65%
11	SS WINTER PTY LTD <THE WINDER SUPER FUND A/C>	7,338,932	1.65%
12	MR ANDREW MURRAY GREGOR	6,610,000	1.48%
13	JOWJIN PTY LTD <KEERATI A/C>	6,320,000	1.42%
14	PATHFINDER EXPLORATION PTY LTD	6,300,000	1.41%
15	MR ROBERT SIMEON LORD	6,000,000	1.35%
16	STEPHENS GROUP SUPER FUND PTY LTD	4,696,970	1.05%
17	MS CHUNYAN NIU	4,490,577	1.01%
18	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	3,714,969	0.83%
19	AVANTEOS INVESTMENTS LIMITED <5443305 ROBSON A/C>	3,586,927	0.80%
20	MASFEN SECURITIES LIMITED	3,421,053	0.77%
	Total	**184,121,904**	**41.28%**

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