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HEXAGON ENERGY MATERIALS LIMITED

ABN 27 099 098 192

INTERIM FINANCIAL REPORT

**FOR THE HALF-YEAR ENDED
31 DECEMBER 2020**

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Board of Directors

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

Officers of the Company

Rowan Caren - Joint Company Secretary
Justyn Stedwell - Joint Company Secretary
Lianne Grove - Chief Commercial Officer

Registered Office & Principal Place of Business

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Applecross, WA 6153

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Canning Bridge, Applecross WA 6153

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Website: www.hxgenergymaterials.com.au

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)

Hexagon Energy Materials Limited
Interim Financial Report
For the half-year ended 31 December 2020
DIRECTORS' REPORT



Your Directors present their half-year report on Hexagon Energy Materials Limited ('Hexagon' or 'Company') and its controlled entities ('Consolidated Entity' or 'Group') for the half-year ended 31 December 2020.

1. BOARD OF DIRECTORS

The Directors of the Company in office at the date of this report or at any time during the period are:

Name	Position	Period of Directorship
Charles Whitfield	Non-Executive Director	Appointed 22 August 2016
	Non-Executive Chairman	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. 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 interim financial report encompassing the entities that it controlled during the period.

3. NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

Hexagon is an Australian-listed company focused on resources, energy materials and clean energy. Hexagon is currently exploring at its two wholly-owned assets in Western Australia, the McIntosh Project, which is prospective for graphite, nickel and PGE's, and the Halls Creek Project, which is targeted for gold and base metals. Hexagon also has an 80% interest in an early-stage graphite exploration project located in Alabama, USA, which includes the historic, Ceylon Mine workings. More recently Hexagon has been actively seeking involvement in value-added businesses that are consistent with its strategy, skill set, and focus on clean energy. Hexagon is currently progressing the acquisition of Ebony Energy Limited ('Ebony Energy') a public unlisted company, owner of the Pedirka Blue Hydrogen Project in the Northern Territory.

4. FINANCIAL REVIEW

For the half-year ended 31 December 2020, the loss for the Consolidated Entity after providing for income tax was \$665,210 (2019: \$1,284,685).

The Consolidated Entity's main expenses were as follows:

	31-Dec-20	31-Dec-19
	\$	\$
Business development	304,813	144,798
Corporate and administration expenses	308,365	772,109
Exploration and evaluation expenditure	303,529	734,672
Personnel expenses and director fees	148,480	194,579
Net reversal of share-based payments	(37,400)	(83,211)

5. 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 with a view to assuming the full Company Secretary role in 2021.

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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 \$0.10 expiring 30 December 2022 were issued to EverBlu Capital Pty Ltd who acted as Lead Manager to the Company's placement.

At 31 December 2020, the Company had 301,205,327 ordinary shares and 4,000,000 unlisted options on issue.

6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the period, Hexagon announced its proposed 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 'clean' zero carbon emissions. The Takeover Offer of Ebony Energy involves Hexagon issuing 1 Hexagon share for every 1.32 Ebony Energy shares. Following completion of the offer, which remains conditional on other conditions described in section 12.8 of the Bidder's Statement, and subsequent exchanges with Ebony option holders and convertible note creditors, Ebony Energy investors and those creditors will ultimately hold 23% of the merged entity share capital base.

As the Takeover Offer will result in a change of activities for the Company, the Company sought and received shareholder approval, via a poll, at the Extraordinary General Meeting held on 10 March 2021.

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

7. REVIEW OF OPERATIONS

7.1 Acquisition of Ebony Energy - progress

Following Hexagon's decision to withdraw from the option to acquire an interest in rare earth element (REE) separation technology from Innovation Metals Corp in October 2020, the Company has been actively seeking ways in which it can progress value-added businesses that are consistent with its strategy, skill set and focus on energy materials and clean energy.

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

In December 2020, Hexagon announced it had made an off-market takeover bid to acquire all of the issued capital of the unlisted company Ebony Energy. Ebony's Board have unanimously recommended that its shareholders accept Hexagon's bid in the absence of a superior proposal. The proposed deal aligns with Hexagon's strategy to become a diversified minerals explorer and producer with a focus on clean energy solutions.

The sole asset of Ebony is the Pedirka 'Blue' Hydrogen Project, located in the Northern Territory. It is proposed that this Project will host a surface gasification plant to produce 'blue' hydrogen with 'clean' zero carbon emissions. It is anticipated that 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. The next stage for Ebony is to undertake a major drilling program to establish a JORC compliant resource to underpin a prefeasibility study (PFS) to advance the Pedirka Project.

Hexagon's Offer to acquire Ebony involves the Company issuing 1 Hexagon share for every 1.32 Ebony shares. Following completion of the Offer, which remains conditional on other conditions described in section 12.8 of the Bidder's Statement, and subsequent exchanges with Ebony option holders and convertible note creditors, Ebony investors and those creditors will ultimately hold approximately 23% of the merged entity's share capital.

As the Takeover Offer, if it proceeds, will result in a change of activities for the Company, the Company sought and obtained shareholder approval, via a poll, at the Extraordinary General Meeting held on 10 March 2021.

On 16 February 2021, the Company issued its bidder's statement for the off-market takeover bid for Ebony Energy. The bidder's statement was issued to Ebony shareholders, requesting them to accept Hexagon's offer to purchase all of their shares in Ebony Energy, 1 Hexagon share for every 1.32 Ebony Energy shares. Ebony shareholders acceptance must be received no later than 26 March 2021.

DIRECTORS' REPORT

On 26 February 2021, the Company issued its first supplementary bidder's statement in relation to its off-market takeover bid of Ebony Energy. The supplementary bidder's statement was lodged with ASIC and Ebony.

On 5 March 2021, the Company confirmed that the minimum condition of 50.1% bid acceptance for the takeover had been satisfied.

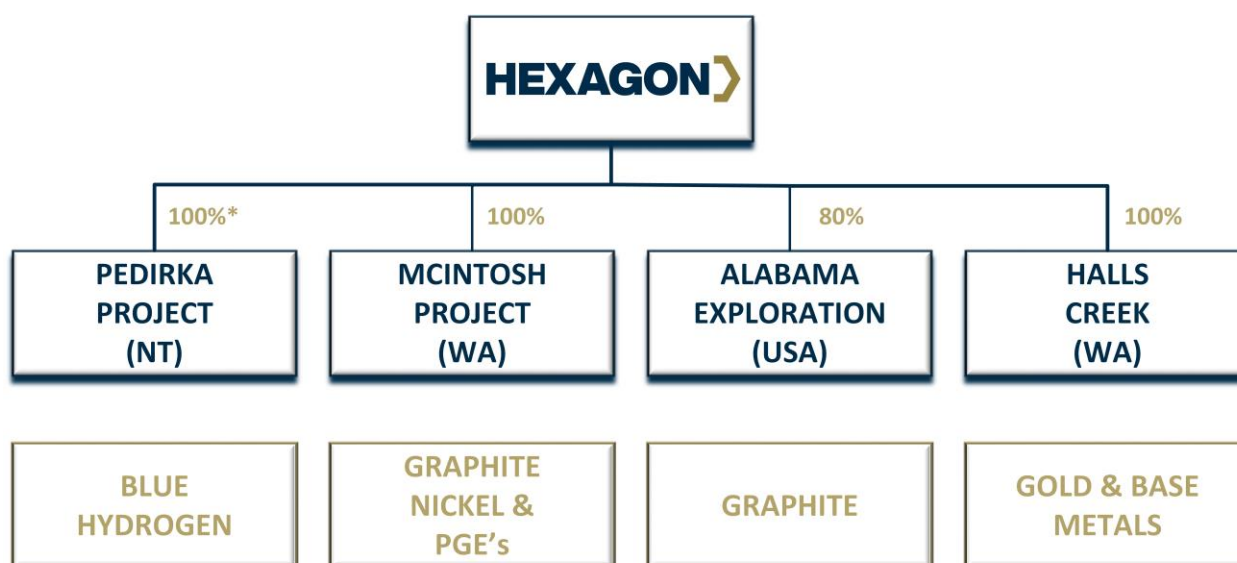
On 10 March 2021, the Company held its extraordinary general meeting (EGM) and received 99.93% "For" votes, via a poll, for the Ebony Energy Takeover Offer.

The anticipated capital structure of the Company post-completion of the Takeover Offer, assuming 100% acceptance is set out below.

	Shares
Current shares on issue	301,205,327
Shares issued under the Takeover Offer	77,037,758
Sub-total on issued shares immediately upon completion of Takeover Offer	378,243,085
Issues to Ebony convertible note creditors ⁽¹⁾	11,462,550
Issues to Ebony option holders	39,721
Total Shares on issue	389,745,356

⁽¹⁾ An entity associated with Hexagon's Chairman Charles Whitfield, will be entitled to receive a total of 875,000 Hexagon shares in exchange for Ebony shares converted from convertible notes held by that entity subject to the bid conditions.

The following schematic shows the make-up of Hexagon assuming the proposed acquisition of Ebony is completed:



*Subject to successful completion of the proposed Ebony Energy transaction

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7.2 Halls Creek Project - Gold (WA, Australia)

The Halls Creek region is known for high-grade gold deposits such as those currently being mined by Pantoro at the Nicholson's Find Gold Mine. Hexagon's Halls Creek Project involves thirteen granted tenements spanning approximately 430km², hosting known gold and base metal surface mineralisation. Additionally, the historical Butchers Creek Gold Mine located less than one kilometre to the west of Hexagon's tenements and the Golden Crown South prospects, forms part of Meteoric Resources 2020 acquired Palm Spring gold project.

Significant Gold Anomalies Identified via Soil Sampling:

Bent Ridge Prospect

Historical work has identified a 3.5km strike extent of soil anomalism of common 'pathfinder elements' for gold mineralisation such as coincident arsenic and base metal anomalies.

Hexagon conducted a geochemical sampling program over the prospect, this being the first to include assays for gold with the new results defining two target zones of 0.8km and 2.4km in strike-length within an overall 3.5km trend of gold anomalies, with updated arsenic and base metal results confirming the historical results (see ASX announcement 25th September 2020).

The prospectivity for gold mineralisation is further enhanced by a historical geophysical survey over a modest 25% of the newly defined soil anomalies which comprised a strong conductive and chargeable 'Induced Polarisation' response associated with a mapped siliceous gossanous ridge. The mapped rocks and the geophysical response are interpreted to be related to the presence of sulphide minerals, commonly associated with gold mineralisation.

Golden Crown South

Hexagon has generated a new gold target zone, extending over 1.4km, via geochemical sampling program, over a previously under explored area (see ASX announcement 25th September 2020). Geological mapping indicates prospective fault structures for hosting gold mineralisation, potentially underpinning the surface gold anomalism. Notwithstanding the previously unexplored nature of this prospect, gold targets, including historical mines, are currently being drill tested in similarly orientated structures to the west and north of Hexagon's ground, highlighting the potential for an emerging new gold region.

Exploration Incentive Funding for 2021 Drill Program:

In November 2020, Hexagon's application for co-funding from the R22 of the WA State Government Exploration Incentive Scheme to drill test the Bent Ridge prospect was successful. The co-funding will reimburse half of the direct drill cost to a maximum of \$200,000.

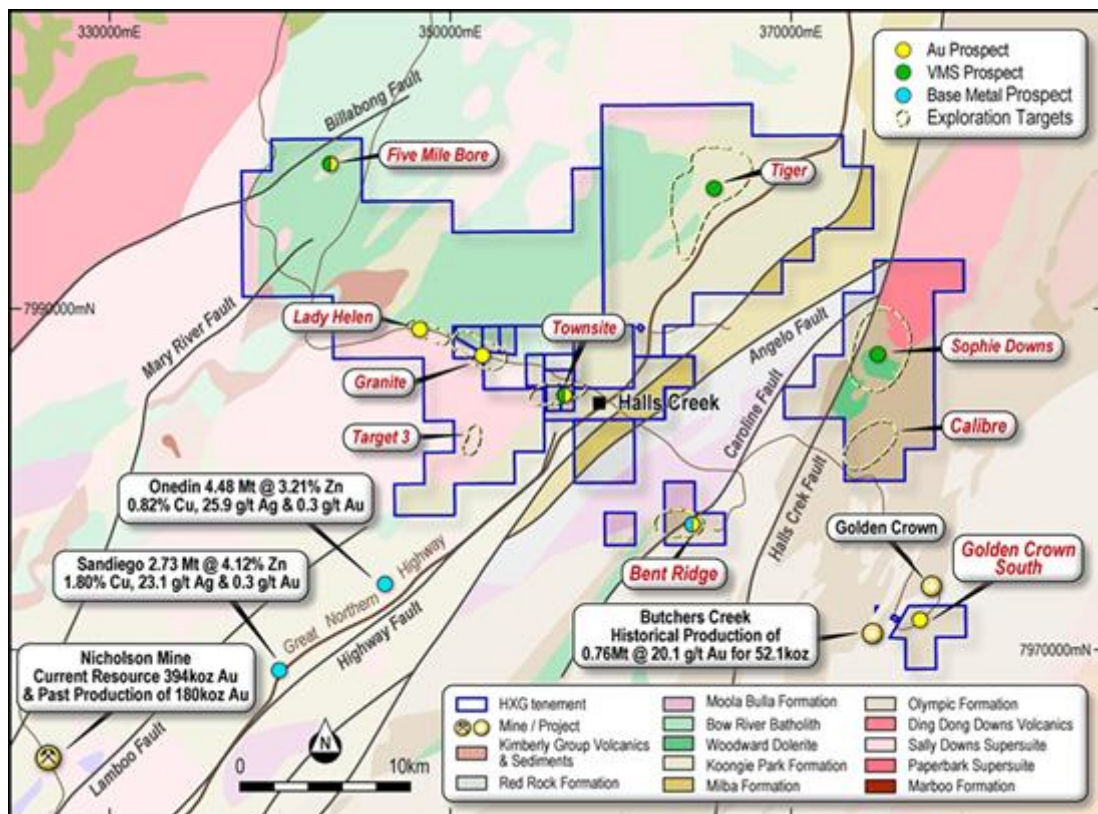


Figure 1: Halls Creek Project – schematic geology and location plan

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7.3 McIntosh Project – Graphite, Nickel and PGE's (WA, Australia)

Highly prospective nickel and PGE targets with existing graphite resource

During the period Hexagon engaged an independent consulting group to review the Project's potential to host base and precious metal deposits in addition to the existing graphite Mineral Resources. This work comprised a significant consolidated land package comprising 17 Exploration Tenements, 542km² over similar geology that hosts Savannah Nickel Mine⁽ⁱ⁾ to the North, the Copernicus Nickel – Copper deposit⁽ⁱ⁾, and Panton Sill PGE deposit to the south, recently sold for \$12 million⁽ⁱⁱ⁾. The review of the historical geochemical and geophysical data has highlighted numerous, highly prospective nickel and PGE targets (Figure 2)

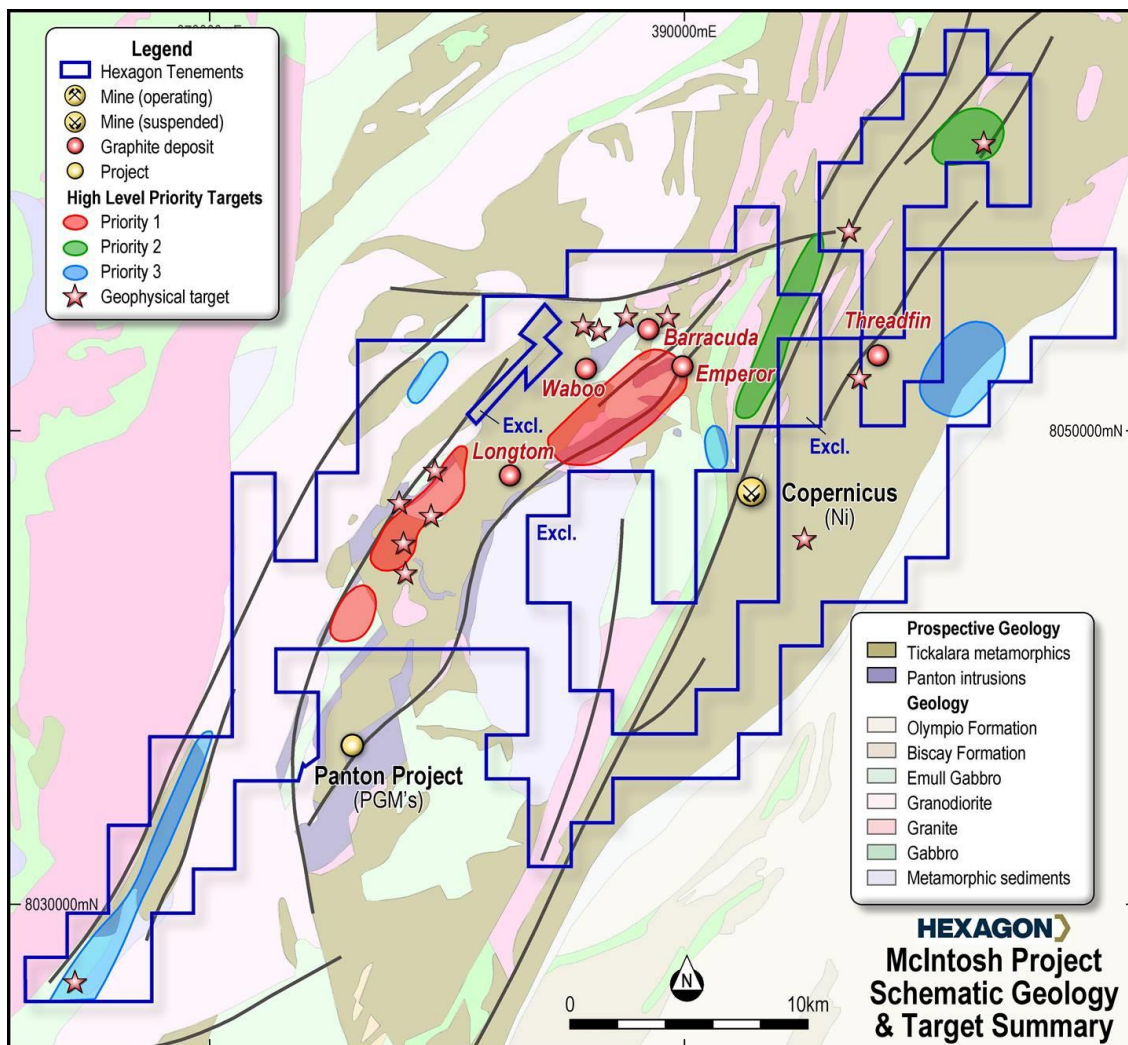


Figure 2: McIntosh Project – schematic geology and target location plan

(i) Owned by Panoramic Resources Ltd ASX (PAN)
 (ii) See Panoramic Resources Ltd ASX (PAN) ASX Announcement 7 December 2020

7.4 Alabama Graphite Projects (Alabama, USA)

Potential additional investment in Alabama Project considered

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 committed to undertake the first metallurgical test work on a series of bulk samples excavated from the site totaling 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 and as much as 8.2% of the final concentrate premium jumbo flake. The high concentrate grade and coarse size distribution highlight good market potential for Ceylon flake-graphite concentrate (See ASX announcement 31st July 2019 for further details).

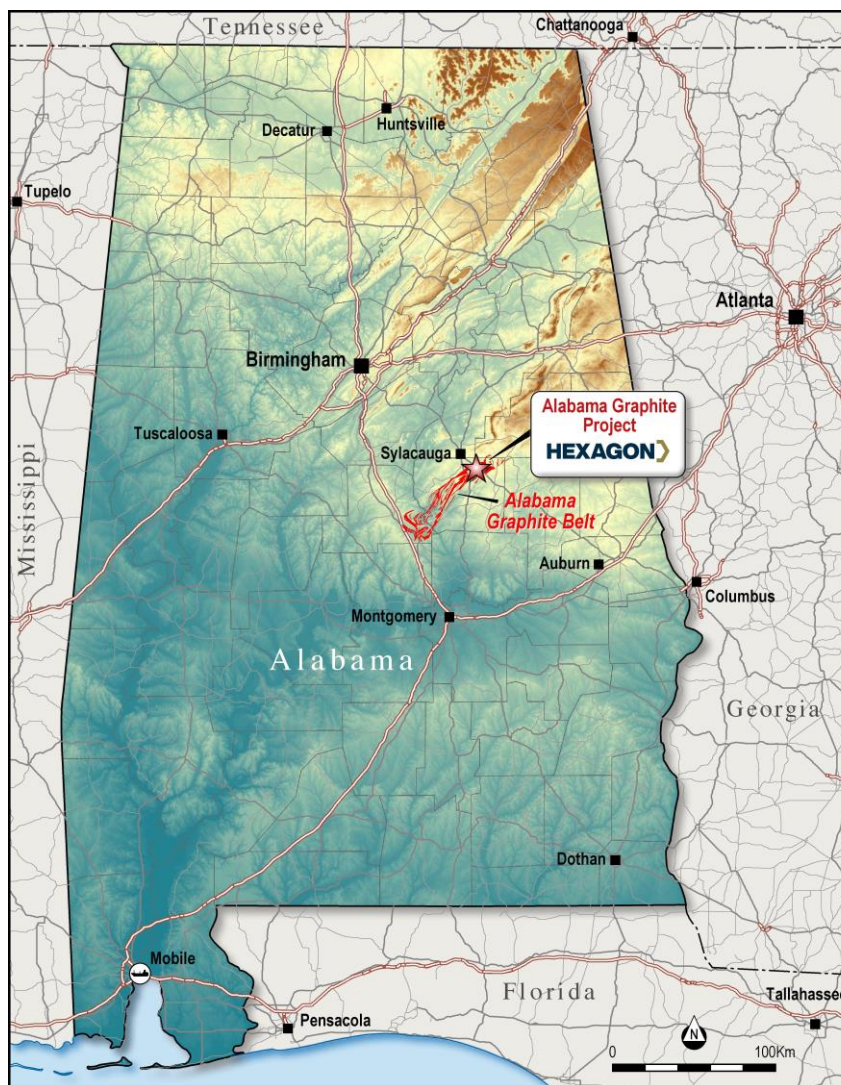


Figure 3: Alabama Graphite Project location Map

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7.5 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 and 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 announcement referred to above, and that all material assumptions and technical parameters have not materially changed.

Mr Atkinson is a consultant to 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.

8. SUBSEQUENT EVENTS

On 16 February 2021, the Company issued its bidder's statement for the off-market takeover bid for Ebony Energy. The bidder's statement was issued to Ebony shareholders, asking that they accept Hexagon's offer to purchase all of their shares in Ebony Energy, on the basis of 1 Hexagon share for every 1.32 Ebony Energy shares. Ebony shareholders acceptance must be received no later than 19 March 2021, unless the Offer is extended.

On 26 February 2021, the Company issued its first supplementary bidder's statement in relation to its off-market takeover bid of Ebony Energy. The supplementary bidder's statement was lodged with ASIC and Ebony.

On 5 March 2021, the Company confirmed that the minimum condition of 50.1% bid acceptance for the takeover had been satisfied.

On 10 March 2021, the Company held its extraordinary general meeting (EGM) and received 99.93% "For" votes, via a poll, for the Ebony Energy Takeover Offer.

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

The impact of Coronavirus (COVID-19) pandemic is ongoing and while it has not significantly impacted the consolidated entity up to 31 December 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australia Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

9. AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration forms part of the Directors' Report and is attached on page 10.

Signed in accordance with a resolution of the Board of Directors.



Charles Whitfield
Non-Executive Chairman
16 March 2021

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

As lead auditor for the review of Hexagon Energy Materials Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



Jarrad Prue
Director

BDO Audit (WA) Pty Ltd
Perth, 16 March 2021

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	31-Dec-20 \$	31-Dec-19 \$
Other income	3	379,731	460,460
Exchange differences on translation of foreign currencies		(15,081)	17,802
Business development		(304,813)	(144,798)
Corporate and administration expenses		(308,365)	(772,109)
Exploration and evaluation expenditure	4	(303,529)	(734,672)
Loss on disposal of plant and equipment		(2,073)	-
Personnel expenses and director fees		(148,480)	(194,579)
Net reversal of share-based payments	8	37,400	83,211
Loss from continuing operations before income tax		(665,210)	(1,284,685)
Income tax expense		-	-
Loss from continuing operations after income tax		(665,210)	(1,284,685)
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Loss on revaluation of equity investments at FVOCI		-	(71,296)
Other comprehensive loss for the period, net of tax		-	(71,296)
Total comprehensive loss for the period		(665,210)	(1,355,981)
Loss from continuing operations for the period is attributable to:			
Owners of Hexagon Energy Materials Limited		(665,210)	(1,284,685)
Non-controlling interests		-	-
		(665,210)	(1,284,685)
Total comprehensive loss for the period is attributable to:			
Owners of Hexagon Energy Materials Limited		(665,210)	(1,355,981)
Non-controlling interests		-	-
		(665,210)	(1,355,981)
Loss per share attributable to ordinary equity holders			
- Basic and diluted loss per share		(0.002)	(0.004)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31-Dec-20	30-Jun-20
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		640,036	1,205,587
Trade and other receivables		33,717	18,509
Total current assets		673,753	1,224,096
Non-current assets			
Trade and other receivables		5,500	5,500
Plant and equipment		10,883	15,360
Other assets		-	170,395
Exploration and evaluation assets	5	2,013,528	1,583,396
Right of use assets		43,602	61,042
Total non-current assets		2,073,513	1,835,693
Total assets		2,747,266	3,059,789
LIABILITIES			
Current liabilities			
Trade and other payables		232,288	269,147
Provisions		23,746	45,204
Lease liability		36,035	35,314
Total current liabilities		292,069	349,665
Non-current liabilities			
Lease liability		9,239	27,439
Total non-current liabilities		9,239	27,439
Total liabilities		301,308	377,104
Net assets		2,445,958	2,682,685
EQUITY			
Contributed equity	6	59,329,831	58,857,850
Reserves	7	147,270	2,413,317
Accumulated losses		(57,031,143)	(58,588,482)
Total equity		2,445,958	2,682,685

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

Hexagon Energy Materials Limited
Interim Financial Report
For the half-year ended 31 December 2020



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 period	-	-	(753,362)	(753,362)
Total comprehensive loss for the period	-	-	(753,362)	(753,362)
Transactions with owners in their capacity as owners:				
Issue of share capital	500,000	-	-	500,000
Capital raising costs	(122,269)	88,152	-	(34,117)
Share based payments	-	(37,400)	-	(37,400)
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 31 December 2020	59,329,831	147,270	(57,031,143)	2,445,958

	Attributable to owners of Hexagon Energy Materials Limited				Non- controlling interests \$	Total Equity \$
	Contributed Equity \$	Reserves \$	Accumulated Losses \$	Total \$		
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 period	-	-	(1,284,685)	(1,284,685)	-	(1,284,685)
Revaluation of equity investments at FVOCI	-	(61,296)	(10,000)	(71,296)	-	(71,296)
Total comprehensive loss for the period	-	(61,296)	(1,294,685)	(1,355,981)	-	(1,355,981)
Transactions with owners in their capacity as owners:						
Share based payments	-	(83,211)	-	(83,211)	-	(83,211)
At 31 December 2019	58,857,850	2,355,978	(57,549,323)	3,664,505	17,447	3,681,952

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	31-Dec-20	31-Dec-19
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(578,065)	(1,076,200)
Payments for exploration and evaluation expense	(311,336)	(843,343)
Receipt of McIntosh rehabilitation reimbursement	150,000	-
Interest received	1,002	21,096
Net cash used in operating activities	(738,399)	(1,898,447)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for option fee - Innovation Metals Corp	-	(170,395)
Payments for exploration and evaluation asset	(415,184)	(295,460)
Receipt of government grant in relation to exploration assets	161,842	-
Net cash used in investing activities	(253,342)	(465,855)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issued capital, net of capital raising costs	470,000	-
Payment for lease liability	(28,730)	(18,000)
Net cash provided by / (used in) financing activities	441,270	(18,000)
Net decrease in cash and cash equivalents	(550,471)	(2,382,302)
Cash and cash equivalents at the beginning of the period	1,205,587	4,203,294
Net foreign exchange differences	(15,080)	17,802
Cash and cash equivalents at the end of the period	640,036	1,838,794

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Hexagon Energy Materials Limited (referred to as 'Hexagon' or the 'Company' or 'Parent Entity') is a company domiciled in Australia. The address of the Company's registered office and principal place of business is disclosed in the Corporate Directory of this report. The consolidated financial statements of the Company as at and for the half-year ended 31 December 2020 (the 'Period') comprise the Company and its subsidiaries (together referred to as the 'Consolidated Entity' or the 'Group'). The Group is primarily involved in mineral exploration.

2. BASIS OF PREPARATION

This interim general purpose financial report for the half-year reporting Period ended 31 December 2020 has been prepared in accordance with *AASB 134 Interim Financial Reporting* and the Corporations Act 2001.

The half-year interim financial report of Hexagon Energy Materials Limited was authorised for issue in accordance with a resolution of the Directors on 16 March 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 on the historical cost basis.

(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.

As disclosed in the review report for the half year ended 31 December 2020 the Group recorded a loss of \$665,210, had net cash outflows from operating activities of \$738,399 and had net working capital of \$381,684. These conditions indicate a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

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 during the planned capital raise scheduled for March/April 2021 and that the Group will continue as a going concern and as such the financial report has been prepared on 'a going concern' basis.

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 and the 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.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. OTHER INCOME

	31-Dec-20	31-Dec-19
	\$	\$
Interest income	389	21,212
Research and development income tax concession	161,842	439,248
Exploration and evaluation rehabilitation	150,000	-
ATO COVID-19 subsidy	67,500	-
	379,731	460,460

4. EXPLORATION AND EVALUATION EXPENSES

	31-Dec-20	31-Dec-19
	\$	\$
Exploration and evaluation expenditure on Graphite Projects	303,529	734,672
	303,529	734,672

5. EXPLORATION AND EVALUATION ASSETS

	31-Dec-20	30-Jun-20
	\$	\$
Carrying amount of exploration and evaluation expenditure	2,013,528	1,583,396
<u>Movement reconciliation</u>		
Balance at the beginning of the period	1,583,396	1,157,648
Exploration expenditure during the period	430,132	425,748
Balance at the end of the period	2,013,528	1,583,396

6. CONTRIBUTED EQUITY

Issued and fully paid

	31-Dec-20		30-Jun-20	
	\$	No.	\$	No.
Fully paid ordinary shares	59,329,831	301,205,327	58,857,850	292,433,397
	59,329,831	301,205,327	58,857,850	292,433,397

Movement reconciliation

ORDINARY SHARES	Quantity	\$
Balance at the beginning of the period	292,433,397	58,857,850
Performance options exercised & transferred to issued capital	-	94,250
Share placement ⁽¹⁾	8,771,930	500,000
Share issue costs	-	(122,269)
Balance at the end of the period	301,205,327	59,329,831

(1) 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 8: Share Based Payments, for detail regarding the valuation of the unlisted options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. RESERVES

	31-Dec-20	30-Jun-20
	\$	\$
Options reserve	88,152	2,220,082
Share loan scheme reserve	59,118	96,518
Performance rights reserve	-	94,250
Foreign currency translation reserve	-	2,467
	147,270	2,413,317

Option reserve

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

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

Share loan scheme reserve

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

	31-Dec-20	30-Jun-20
	\$	\$
Movement reconciliation		
Balance at the beginning of the period	96,518	100,849
Vesting expenses relating to share loan scheme during the period	-	16,503
Reversal of share-based payment expense	(37,400)	(20,834)
Balance at the end of the period	59,118	96,518

Performance rights reserve

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

	31-Dec-20	30-Jun-20
	\$	\$
Movement reconciliation		
Balance at the beginning of the period	94,250	303,845
Vesting expenses relating to performance rights during the period	-	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 period	-	94,250

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. SHARE BASED PAYMENTS

	Number of options & shares	Share-based payment at 31-Dec-20	Reversal of share-based payment at 31-Dec-20	Remaining share-based payment at 31-Dec-20
Employee and Consultants Options (i)	-	-	(\$2,220,082)	-
Capital Raise Options (ii)	4,000,000	\$88,152	-	-
Loan Scheme Shares (iii)	650,000	-	(\$37,400)	-
Total	4,650,000	\$88,152	(\$2,257,482)	-

(i) Employee and Consultants Options

Details of employee and consultant options issued, exercised and cancelled during the period are set out below:

Options	Grant Date	Expiry Date	Exercise Price	Balance at the start of the period	Granted during the period	Exercised during the period	Lapsed during the period	Balance at the end of the period
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 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.

(ii) Capital Raise Options

Options	Grant Date	Expiry Date	Exercise Price	Balance at the start of the period	Granted during the period	Exercised during the period	Lapsed during the period	Balance at the end of the period
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 6, 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 have 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 has recognized the entire share-based payment expense immediately as the options are exercisable at any time on or prior to the expiry date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(iii) Loan Scheme Shares

Details of loan scheme shares issued, exercised and cancelled during the period are set out below:

Shares	Grant Date	Expiry Date	Exercise Price	Balance at the start of the period	Granted during the period	Exercised during the period	Lapsed during the period	Balance at the end of the period
M Rosenstreich (a)	25-Sep-17	25-Sep-27	\$0.11	1,000,000	-	-	(500,000)	500,000
L Grove	21-Jan-19	4-Feb-29	\$0.14	150,000	-	-	-	150,000
Total				1,150,000	-	-	(500,000)	650,000

On 1 December 2020, the vesting conditions in respect to 500,000 shares held by Mr Rosenstreich which were issued under the Employee Share Loan Scheme lapsed as they were not satisfied prior to his resignation as Managing Director.

9. 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.

The Group operates in three operating segments, mineral exploration in Australia, mineral exploration in United States of America and resources allocated to administration. This is the basis in which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Group.

(i) Segment performance

	Exploration USA	Exploration Australia	Administration	Total
31-Dec-20	\$	\$	\$	\$
Revenue				
Interest income	-	-	389	389
Research and development income tax concession	-	161,842	-	161,842
Exploration and evaluation rehabilitation	-	150,000	-	150,000
Other income	-	-	67,500	67,500
Total segment revenue	-	311,842	67,889	379,731

Reconciliation of segment results to net loss before tax

Amounts not included in segment results but reviewed by the Board

- Exploration and evaluation expenditure	(58,938)	(244,591)	-	(303,529)
- Administration, consulting and other expenses				(741,412)
Net loss before tax from continuing operations				(665,210)

	Exploration USA	Exploration Australia	Administration	Total
31-Dec-19	\$	\$	\$	\$
Revenue				
Interest income	-	-	21,212	21,212
Other income	-	439,248	-	439,248
Total segment revenue	-	439,248	21,212	460,460

Reconciliation of segment results to net loss before tax

Amounts not included in segment results but reviewed by the Board

- Exploration and evaluation expenditure	(583,220)	(151,452)	-	(734,672)
- Administration, consulting and other expenses				(1,010,473)
Net loss before tax from continuing operations				(1,284,685)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(ii) Segment assets

	Exploration USA	Exploration Australia	Administration	Total
	\$	\$	\$	\$
31-Dec-20				
Total segment asset	-	2,013,528	733,738	2,747,266

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

(iii) Segment liabilities

	Exploration USA	Exploration Australia	Administration	Total
	\$	\$	\$	\$
31-Dec-20				
Total segment liabilities	-	65,991	235,317	301,308

	Exploration USA	Exploration Australia	Administration	Total
	\$	\$	\$	\$
30-Jun-20				
Total segment liabilities	-	50,614	326,490	377,104

10. RELATED PARTY TRANSACTIONS

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

Transactions with Related Parties

Consulting Services

Drumrock Capital Ltd, an entity associated with Charles Whitfield, provided consulting services totaling \$42,500 to the Company during the period (2019: \$42,500).

Acquisition of Ebony Energy

An entity associated with Charles Whitfield (Chairman), is currently the holder of contingent liability rights with respect to Ebony Energy for accrued prior director and consulting fees, and out-of-pocket expenses. These rights have an audited book value in Ebony Energy's accounts at 30 June 2020 of \$195,085.

An entity associated with Charles Whitfield, will be entitled to receive a total of 875,000 Hexagon shares in exchange for converted Ebony shares converted from convertible notes held by that entity subject to the bid conditions.

As at the date of the bidders statement Charles Whitfield held 5,000 Ebony Energy shares. Upon acceptance of the Offer for his Ebony Energy shares, and subject to the Offer becoming unconditional, Mr Whitfield will be entitled to receive 3,788 Hexagon shares.

Non-Executive Director Services Agreement

During the period, the Company welcomed Mr Justyn Stedwell as a non-executive Director and as joint Company Secretary with a view to assuming the full Company Secretary role in 2021. The contractual arrangement is as follows:

- Appointment: 1 December 2020.
- Contract: A service fee of \$3,750 plus GST per month, plus an additional \$1,500 per month for Non-Executive Director Fees.
- Termination of Agreement: One month written notice is required.

There were no other transactions with related parties during the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. 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.

	31-Dec-20	30-Jun-20
	\$	\$
Exploration obligations to be undertaken:		
Payable within one year	1,127,824	1,098,268
Payable between one year and five years	2,323,817	2,634,418
	3,451,641	3,732,686

Other than the commitments noted above, there has been no other material change in the Group's commitments during the period.

12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

13. DIVIDENDS & FRANKING CREDITS

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

14. SUBSEQUENT EVENTS

On 16 February 2021, the Company issued its bidder's statement for the off-market takeover bid for Ebony Energy. The bidders statement was issued to Ebony shareholders, requesting that they accept Hexagon's offer to purchase all of their shares in Ebony Energy, on the basis of 1 Hexagon share for every 1.32 Ebony Energy shares. Ebony shareholders acceptance must be received no later than 26 March 2021.

On 26 February 2021, the Company issued its first supplementary bidder's statement in relation to its off-market takeover bid of Ebony Energy. The supplementary bidder's statement was lodged with ASIC and Ebony.

On 5 March 2021, the Company confirmed that the minimum condition of 50.1% bid acceptance for the takeover had been satisfied.

On 10 March 2021, the Company held its extraordinary general meeting (EGM) and received 99.93% "For" votes, via a poll, for the Ebony Energy Takeover Offer.

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

The impact of Coronavirus (COVID-19) pandemic is ongoing and while it has not significantly impacted the consolidated entity up to 31 December 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australia Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors



Charles Whitfield
Non-Executive Chairman
16 March 2021

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Hexagon Energy Materials Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Hexagon Energy Materials Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, 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 half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating 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 conclusion is not modified in respect of this matter.

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Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd

BDO


Jarrad Prue

Director

Perth, 16 March 2021