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**HEXAGON ENERGY MATERIALS LIMITED**

**ABN 27 099 098 192**

# **FINANCIAL REPORT**

**YEAR ENDED 30 JUNE 2022**

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**Hexagon Energy Materials Limited**  
**Financial Report**  
**For the year ended 30 June 2022**



**CORPORATE DIRECTORY**

**Board of Directors**

Charles Whitfield – Non-Executive Chairman

Garry Plowright – Non-Executive Director

Andrew Kirk – Non-Executive Director (*appointed 17 May 2022*)

Merrill Gray – Managing Director (*appointed 18 October 2021 and resigned 17 May 2022*)

Justyn Stedwell – Non-Executive Director (*resigned 18 October 2021*)

**Officers of the Company**

Ian Gregory – Company Secretary (*appointed 1 December 2021*)

Rowan Caren – Company Secretary (*resigned 1 December 2021*)

Lianne Grove – Chief Operating Officer (*resigned 7 February 2022*)

**Registered Office & Principal Place of Business**

Suite 3, 7 Kintail Road, Applecross, WA 6153 (*to 18 March 2022*)

2/35 Outram Street, West Perth, WA 6005 (*from 21 March 2022*)

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Website: [www.hxgenergymaterials.com.au](http://www.hxgenergymaterials.com.au)

**Domicile and Country of Incorporation**

Australia

**Australian Business Number**

27 099 098 192

**Auditors**

Level 9, Mia Yellagonga Tower 2

5 Spring St

Perth WA 6000

Website: [www.bdo.com.au](http://www.bdo.com.au)

**Share Registry**

Automic Pty Ltd

Level 5, 126 Phillip Street

Sydney NSW 2000

Website: [www.automic.com.au](http://www.automic.com.au)

**Securities Exchange**

Australian Securities Exchange Limited (ASX)

Home Exchange - Perth

ASX Code - HXG (Ordinary Shares)

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**CHAIRMAN'S LETTER**

Dear Fellow shareholders,

The last twelve months has seen a dedication to focus in order to get recognition of value for shareholders and a pathway to positive cashflow and profitability via the most efficient route. The portfolio of assets has been analysed and triaged in order to allow management to focus on the most relevant and prospective while undertaking transactions with appropriate groups on non-core assets in order to be able to progress them without drawing on company resources. At the same time, the Company remains true to the core tenet of progressing opportunities central in the global transition to clean energy.

To this end we have drawn up a focus on two projects, McIntosh's Nickel/Copper/PGM and the Hydrogen project based on the lowest cost of entry point by locating in North West WA utilizing Gas from the North West Shelf and the related sequestration capacity. Hall's Creek will undergo further investigation as part of the current field season to establish its potential before deciding its future.

Both Hexagon's graphite assets in Alabama, USA and Western Australia were deemed non-core and Hexagon has undertaken transactions on both these assets. The Alabama deal with Charge Minerals continues to move forward with progress in both geological and technical work. In February 2022, Hexagon signed a deal with Green Critical Minerals to Joint Venture the development of the Graphite resources at McIntosh. It should be underlined that this deal only pertains to Graphite and not to the other mineral potential on the tenements. Green Critical Minerals is currently undertaking a transaction with Chase Minerals which will result in it having sufficient capital and a listing to progress the project. Under the terms of the deal Hexagon has a "Free Carry" to decision to mine and can continue to participate in the project into production if desired.

Our fully funded drill program for McIntosh should be under way in October and starting to produce results. The program has been developed over the last two years with some very prospective areas identified. The Company did not get on the ground as early as desired due to some updates in the program which have resulted in new heritage work requirements but we take our relationships with local communities and native title holders very seriously as they are key partners for the future success of our projects.

While the drill results in the coming weeks and months will provide greater certainty of the actual geology of the project, we have a very clear picture from the historical review and continuing surface sampling and geophysics analysis undertaken over the past year. This has reinforced our belief in a broad sulphide mineralisation formation of the type found in the South African Bushveld which would be in line with the fact that McIntosh lies in an area of already established Nickel producers such as Panoramic's Savannah nickel mine to the North and Copernicus to the East and Future Metals' Panton to South. If our expectations are borne out in results, the team has already started to strategise as to how to get the project into production in the fastest and lowest CapEx route.

As outlined above, the Company's other initiative is to progress the de-carbonised Hydrogen project. The PFS has provided a key framework for how best to develop a project in Australia with the lowest CapEx and OpEx demands. To this end, location is key due to the fact that utilizing as much existing infrastructure as possible is key. To this end, the decision was made that the pathway forward is focused on location (Proximate to North West Shelf Natural Gas) in the most conducive jurisdiction (WA) and as close to key inputs of gas, power, water and port facilities as possible. Second, is to build partnerships with key components of the business in order to be able to joint venture or utilize existing capex components. This has resulted in the company undertaking a Heads of Agreement with international solar company FRV, undertaking negotiations with gas providers for supply and a major energy company for CO2 sequestration. The last part of the puzzle is land allocation where a submission has been made to the WA Government. This is still a massive project, but we believe the path chosen puts us in the most competitive position possible.

As part of the Company's drive to make as much progress with as little expenditure as possible, the Hexagon board did not seek to replace the MD position which has resulted in all functions sitting on the shoulders of the Board and team so I would like to thank them for their hard work and dedication. With all this work going on, the next weeks, months and indeed year are going to be transformative for the Company and should provide the information and clarity required to be able to illustrate and cement the value proposition for Hexagon and its shareholders. I thank you all for your support over the last year and very much hope that the rewards of this work will be recognised by the market and in returns to you.

Regards,



Charles Whitfield  
Non-Executive Chairman  
30 September 2022

**DIRECTORS' REPORT**

Your Directors present their report on Hexagon Energy Materials Limited ('Hexagon' or 'the Company') and its controlled entities ('Consolidated Entity' or 'the Group') for the year ended 30 June 2022.

**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	Appointed 22 August 2016
	Non-Executive Chairman	Appointed 5 May 2017
Garry Plowright	Non-Executive Director	Appointed 10 June 2015
Andrew Kirk	Non-Executive Director	Appointed 17 May 2022
Merrill Gray	Managing Director	Appointed 18 October 2021, Resigned 17 May 2022
Justyn Stedwell	Non-Executive Director	Appointed 1 December 2020, Resigned 18 October 2021

**2. INFORMATION ON THE BOARD OF DIRECTORS**

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

<b>Charles Whitfield - Non-Executive Chairman</b>	
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

<b>Garry Plowright - Non-Executive Director</b>	
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

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**DIRECTORS' REPORT**

<b>Andrew Kirk – Non-Executive Director – Appointed 17 May 2022</b>	
Mr Kirk worked for Woodside for 17 years where he developed their corporate LNG strategies. He has been working in the Hydrogen industry for the past three years, establishing Green Hydrogen Asia in Malaysia to transition the heavy vehicle market from diesel to renewable Hydrogen. He has provided commercial and strategic advice to Hexagon since August 2021 on the company's Hydrogen strategy and projects.	
Mr Kirk holds a Bachelor of Applied Science (Geology) and a Post-Graduate Diploma (Petroleum Geology) from Curtin University and completed the Accelerated Development Program (ADP63) at London Business School.	
Other current directorships	None
Former directorships in last 3 years	None
Special responsibilities	None
Interests in shares and options	None

<b>Merrill Gray – Managing Director – Appointed 18 October 2021, Resigned 17 May 2022</b>	
Ms Gray has 20 years' experience as a Board Director and CEO leading Australian ASX listed companies. Her 30-year career spans mining and energy. In 2008 Merrill founded and backdoor ASX listed Hydrogen (gasification) company Syngas Limited which she led for five years.	
Ms Gray has worked in precious and base metals for companies including WMC Ltd, BHP Group Ltd, Iluka Resources Ltd and GCM Ltd, and led projects, business development and opportunity assessments in hydrogen, waste to energy and renewables for Ausnet Services Ltd, Flow Power, RayGen Resources Ltd and Lithium Australia NL. Her focus is on Future Energy and the roles that raw materials and technologies play to deliver significant market shifts.	
Ms Gray holds a Bachelor of Engineering (Mining and Mineral Processing) and a Bachelor of Science (Geology) from Otago School of Mines, and an MBA from Melbourne Business School. She is a fellow of both the AusIMM and Engineers Australia and an AICD graduate.	
Other current directorships	None
Former directorships in last 3 years	None
Special responsibilities	Managing Director
Interests in shares and options	None

<b>Justyn Stedwell - Non-Executive Director – Appointed 1 December 2020, Resigned 18 October 2021</b>	
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

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**DIRECTORS' REPORT**

**3. INFORMATION ON THE OFFICERS OF THE COMPANY**

**Ian Gregory**

**Company Secretary (Appointed 1 December 2021)**

Mr Gregory has over 30 years' experience in the provision of company secretarial and business administration services in a variety of industries, including exploration, mining, mineral processing, oil and gas, banking, insurance, and aquaculture. Prior to founding his own consulting business in 2005, he was the Company Secretary of the Iluka Resources Limited group of companies, the Company Secretary and Compliance Manager of IJB Australia Bank Limited, the Australian operations of The Industrial Bank of Japan, as well as the Company Secretary of the Griffin Coal Mining group of companies. Mr Gregory currently consults on company secretarial and governance matters to a number of listed and unlisted companies.

Mr Gregory holds a Bachelor of Business from Curtin University, is a past member and Chairman of the Western Australian Branch Council of Governance Institute of Australia (GIA) and has also served on the National Council of GIA.

**Rowan Caren**

**Company Secretary (Appointed 18 September 2017 – Resigned 1 December 2021)**

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).

**Lianne Grove**

**Chief Operating Officer (Appointed 1 April 2021 – Resigned on 7 February 2022)**

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 several 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 an AICD graduate.

**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 2022 and the number of meetings attended by each Director.

Directors	Meetings attended	Eligible to attend
Charles Whitfield	7	7
Garry Plowright	7	7
Andrew Kirk	1	1
Merrill Gray	4	4
Justyn Stedwell	2	2

In addition to the scheduled Board meetings, Directors regularly communicate by telephone, email or other electronic means, and where necessary, circular resolutions are executed to effect decisions.

Due to the size and scale of the Group, there is no Remuneration and Nomination Committee or Audit Committee at present. Matters typically dealt with by these Committees are, for the time being, managed by the Board. For details of the function of the Board, refer to the Corporate Governance Statement.

## 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 22).

## 6. NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

Hexagon is an Australian future clean energy project development and future energy materials exploration and project development Company.

Part of Hexagon's business is the development of a large scale decarbonised, using Carbon Capture and Storage (CCS), Clean Hydrogen project to meet growing export and domestic market requirement. Hexagon's end market focus is Blue Ammonia for co-firing in Coal fired power stations and use as a shipping fuel. A Pre-Feasibility Study for the Pedirka Clean Hydrogen located in Australia's Northern Territory, utilizing gasification and CCS was completed in February 2022 and this led to Hexagon's NW Australian Clean Hydrogen project, WAH<sub>2</sub>, being established. WAH<sub>2</sub> on a risk, cost and potential return basis is a more attractive project for Hexagon to focus its development efforts on. To get a 'foot hold' and substantially grow as the global clean Hydrogen market emerges.

Hexagon's strategy is to progressively increase its renewable energy usage in Clean Hydrogen production and transition from blue to green hydrogen production, on a commercial basis, over time. On this basis Hexagon has commenced building a strategic relationship with FRV Services Australia Pty Ltd (FRV Australia) as announced on 24 January 2022. FRV Australia has developed 9 solar farms investing +A\$1B in Australia (800 MWdc generation capacity) to date and has Green Hydrogen project already in operation globally, ranging from <1MW to 20MW. FRA Australia is 49% owned by OMERS Infrastructure (49%) – Canada's largest public pension funds which is a global infrastructure investor and 51% owned by Abdul Latif Jameel Energy.

Hexagon also owns the McIntosh Nickel-Copper-PGE and Graphite project in the Kimberly in Western Australia (WA) and the Halls Creek Gold – Base metals – PGE project also in the Kimberley WA. In February 2022, through a Graphite Mineral Rights Only Earn-In deal with Green Critical Minerals Pty Ltd Hexagon is seeking to leverage in new expertise and secure further investment funds to develop its Graphite asset at McIntosh which comprises of a total Graphite resource of 23.8 million tonnes, grading 4.5% TGC, with 81% indicated (ASX announcement 5 April 2019). In the USA, Hexagon holds an 80 per cent controlling interest of Ceylon Graphite project located in Alabama, over which South Star Battery Materials Corp. (TSXV: STS, OTCQB: STSBF) on 7 December 2021 signed an up to 75% Earn-In Agreement over.

Hexagon strategy is to actively secure and leverage technical and commercial alliances, by commodity which will underpin value creation across its portfolio of assets whilst developing core future energy and energy material projects in-house.

## 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 2022 (2021: nil) and no dividend is recommended for the current year.



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**DIRECTORS' REPORT**



**10. FINANCIAL REVIEW**

For the year ended 30 June 2022, the loss for the Consolidated Entity after providing for income tax was \$14,393,804 (2021: loss of \$1,813,077).

The Company received a research and development income tax concession of \$290,981 (2021: \$161,842) during the financial year.

The Consolidated Entity's main expenses were as follows:

	<b>30-Jun-22</b>	<b>30-Jun-21</b>
	<b>\$</b>	<b>\$</b>
Business development	145,965	466,695
Corporate and administration expenses	769,570	778,851
Exploration and evaluation expenditure	1,251,908	685,635
Impairment of exploration and evaluation expenditure	12,107,892	-
Personnel expenses and director fees	443,964	325,666
Net reversal of share-based payments	-	(76,954)

**Cashflows**

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

	<b>30-Jun-22</b>	<b>30-Jun-21</b>
	<b>\$</b>	<b>\$</b>
<b>Receipts:</b>		
Receipt of McIntosh rehabilitation reimbursement	-	150,000
Receipt of government grant in relation to exploration assets	-	161,842
Proceeds from issue of shares, net of capital costs	1,738,702	6,356,644
<b>Expenditures:</b>		
Payments to suppliers and employees <sup>(1)</sup>	(1,125,323)	(1,409,909)
Payments for exploration and evaluation expenses	(2,718,360)	(507,039)
Payments for exploration and evaluation assets	(505,155)	(853,244)

(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 18 October 2021, Ms Merrill Gray was appointed Managing Director of the Company. Ms Gray resigned from this role on 17 May 2022.

On 18 October 2021, Mr Justyn Stedwell ceased to be a Non-Executive Director of the Company. He was appointed on 1 December 2020.

On 1 December 2021, Mr Rowan Caren ceased to be Company Secretary of the Company. He was appointed on 18 September 2017.

On 1 December 2021, Mr Ian Gregory was appointed Company Secretary of the Company.

On 7 February 2022, Ms Lianne Grove ceased to be Chief Operating Officer of the Company. She was appointed to this role on 1 April 2021.

On 17 May 2022, Mr Andrew Kirk was appointed a Non-Executive Director of the Company.

**Capital Structure**

On 4 February 2022, the Company exercised a Call Option to acquire the remaining 25% interest in an Exploration Licence for its Halls Creek Gold Project. As per the Call Option, the Company issued 405,406 fully paid ordinary shares at \$0.074 per share, a total value of \$30,000, to the two Vendors.

On 6 May 2022, 66,496,668 fully paid ordinary shares were issued at \$0.028 per share to institutional and sophisticated investors to raise \$1,861,907 before capital raising costs.

At 30 June 2022 the Company had 512,915,901 ordinary shares and 4,000,000 unlisted options on issue.

**12. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

Refer to the Review of Operations below.

**13. PLANNED DEVELOPMENTS AND EXPECTED RESULTS OF OPERATION**

The planned developments of the Company are as follows:

- **McIntosh Project – Nickel-Copper and PGM:** A fully funded drill program will focus on drilling and analysing three identified Ni-Cu-PGE targets within the greater Melon Patch prospect (Paton Gabbro 1, Panton Peridotite and WDC Gabbro 1 prospects), along with testing a number of historic geophysical targets which have been identified during the comprehensive analysis that has taken place over the past two years.
- **WAH<sub>2</sub>:** Considerable progress has been made on Hexagon's WAH<sub>2</sub> Hydrogen project. The management team proceeds with a core focus on four key elements of the project:
  - 1) Securing gas supply for blue hydrogen feedstock
  - 2) Securing land for site location in the Company's preferred NW Coast of Western Australia
  - 3) Finalising agreements around access to CO<sub>2</sub> sequestration capacity
  - 4) Strategic conversations with offshore customers/funding partners.
- **Halls Creek Project – Gold and Base Metals:** Soil sampling of Au-Base Metal targets.
- **Graphite:** Finalise value accretive transactions for non-core assets, Ceylon Graphite Project in Alabama, USA and Graphite Mineral rights at the McIntosh project tenements.

**14. REVIEW OF OPERATIONS**

Hexagon continue to execute on its stated strategy of progressing its Future Energy Materials and Future Energy Projects long-term growth strategy approved by the board in late 2021 and illustrated in Figure 1 below. The strategy is to progress the WAH<sub>2</sub> Hydrogen (Ammonia) project which was identified during the PFS process as being the best route to optimise margin and returns. In parallel, the strategy includes undertaking a drill program at McIntosh (Ni/PGE) and Halls Creek (Au/PGE) to ascertain the potential that has been identified through the desktop and groundwork undertaken over the past two years.

During the financial year, Hexagon successfully fully funded for all planned drill programs, Hydrogen project progress and corporate costs as a result of the capital raise (A\$1.91 million) which closed on 27 April 2022.

Hexagon pledged to maximise value from its existing asset base and Hydrogen initiatives while at the same time progressing value accretive transactions without expenditure for its non-core assets; Ceylon Graphite Project in Alabama USA and for Graphite mineral rights at the McIntosh project tenements in the year, Hexagon fulfilled this through transactions on both these assets.

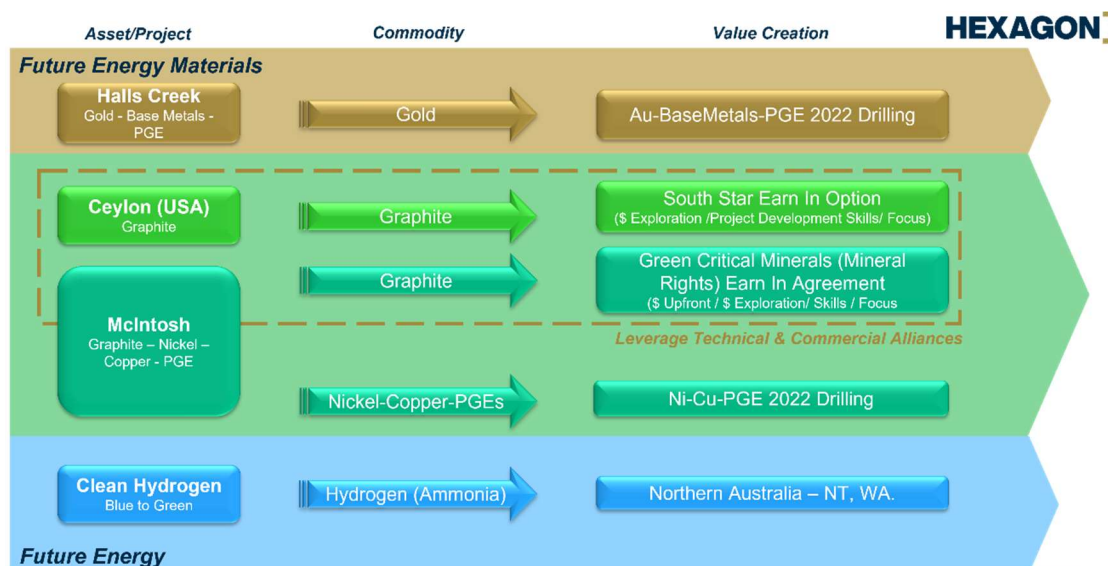


Figure 1: Hexagon's Strategy 2022

1. McIntosh Ni-Cu-PGE

Hexagon's McIntosh Project in the West Australian (WA) Kimberley area lies in the centre of an area known for active Ni-Cu-PGE extraction. McIntosh is surrounded by well-established Nickel and/or PGE producers, exporters, and substantial Ni-Cu-PGE JORC resources. Over the past two years, Hexagon has undertaken substantial appraisal work to try to establish the continuity of the surrounding geology with Hexagon's McIntosh Project. The current drill program seeks to confirm the Company's appraisal of the viability of the Ni-Cu-PGE and start to define a path to production.



Figure 2: Companies in Ni-Cu-PGE production and/or with Ni-Cu-PGE JORC resources near McIntosh

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**DIRECTORS' REPORT**



Table 1 (below) highlights the resources held by those operators and their valuations. The ambition of the drill program is to advance the understanding of the Hexagon ground and move towards establishing a resource in order to get value recognition in line with our peers.

	Deposit Name	ASX Code	Company Name	Market Cap. [\$ M] (7/4/2022)	Source of Market Cap. information	JORC Resources etc	Resources information sources and Comments
1	Savannah	PAN	Panoramic Resources Ltd	749	ASX website	13,500,000t @ 1.56% Ni, 0.7% Cu, 0.1% Co	<a href="https://panoramicresources.com/savannah-project/mineral-resource-savannah-project-may-2020/">https://panoramicresources.com/savannah-project/mineral-resource-savannah-project-may-2020/</a>
2	Copernicus	PAN	Panoramic Resources Ltd	749	ASX website	852,000 t @ 1.24% Ni, 0.81% Cu, 0.05 % Co with Reserves of 784,000 t @ 1.1% Ni, 0.67% Cu, 0.05 % Co ( <b>Mined Resource:</b> 132,000 t @ 0.97% Ni, 0.52% Cu, 0.3% Co	Penna, P. 9 November 2016 WAMEX Report A110234 "BCI Iron Limited Final Surrender Report For the Period 7 October 2008 to 5 October 2016 E80/3878", page 12 of 18.  Unclear whether Au and PGE's is routinely assayed for.
3	Panton Deposit	FME	Future Metals NL	71	ASX website	14,320,000t @ 4.89 g/t PGM	<a href="https://future-metals.com.au/panton-pgm-project/">https://future-metals.com.au/panton-pgm-project/</a>  <b>22 square kilometer holding</b>
4	Nicolsons Gold Mine	PNR	Pantoro	457	ASX website	394,000 oz contained Au <b>Past Production:</b> 180,000 oz Au <b>PGE results:</b> 30m @ 1.03 g/t Pt+Pd+Au (3PGE): 0.54% Ni & 0.033% Co from 3 m	PNR ASX Announcement, 10/1/22 ASX Announcement 15/11/22 <a href="https://app.sharelinktechnologies.com/announcement/asx/0fb756c82ef34c79a753e17a92211d87">https://app.sharelinktechnologies.com/announcement/asx/0fb756c82ef34c79a753e17a92211d87</a>
5	McIntosh	HXG	Hexagon Energy Material Ltd	19	ASX website	<b>PGE Results:</b> 3.63g/t 3PGE, 0.35% Cu, 0.18% Ni in soils <b>Historic drill results:</b> 20 m @ 0.75 g/t 3PGE plus other intersections	HXG ASX Announcement, 21/3/22 <a href="https://hxgenergymaterials.com.au/wp-content/uploads/2022/03/Three-Ni-Cu-PGE-Drill-ready-Targets-Confirmed-at-McIntosh.pdf">https://hxgenergymaterials.com.au/wp-content/uploads/2022/03/Three-Ni-Cu-PGE-Drill-ready-Targets-Confirmed-at-McIntosh.pdf</a> HXG ASX Announcement 2/2/2022  <b>542 square kilometer holding</b> <b>2022 Drilling program planned</b>

Table 1: Details of Companies in Ni-Cu-PGE production and/or with Ni-Cu-PGE JORC resources near McIntosh

Preparatory groundwork, regulatory sign offs and heritage clearance surveys have all been pursued for the drill program.

In addition to the successful funding round (A\$1.91 million) closed on 27 April 2022, Exploration drilling co-funding has been secured by Hexagon as part of Round 24 of the Western Australian Government Exploration Incentive Scheme (EIS) to support this drill program.

Comprehensive analytical work has been undertaken on the site to get to a point where the Company believes it has the highest probability to successfully identifying Ni/PGE mineralisation in the upcoming drill program.

This work has included soil sampling, desktop analysis of historical work, integrated modelling of the area to try to establish an integrated understanding of the geology and assaying of existing core from previous graphite programs.

Drill core from past graphite focussed drilling not previously analysed for Ni-Cu-PGE was retrieved from Hexagon's warehouse. This core is sourced from where potential sulphide mineralisation had been identified during core logging and were submitted for assaying and interpretation. Results from historic PGE drilling at McIntosh were announced (ASX Announcement 2 February 2022). These historic results of 20 metres at 0.75 g/t PGE were built upon, in terms of highlighting McIntosh's PGE prospectivity by the 2021 field season soil sample analytical results of up to 3.63g/t 3 PGEs subsequently announced (ASX Announcement 2 February 2022).

The McIntosh drill program slated for October 2022 will include a multi-hole Reverse Circulation (RC) drilling program of totalling around 1,000 metres to not more than 130 metre depth from surface, cased so downhole geophysics can be completed.

In addition to the drilling, further geophysical survey (Inverse Polarisation (IP)) work will take place at Melon Patch and new lines/surveys will be undertaken at Melon Patch North and Mable Hill. Infill soil sampling across the 50 Km<sup>2</sup> already covered will take place and new areas will be sampled, with additional target identification expected.

The combination of additional drill sites due to attractive results and prolonged clearances resulting from this have delayed the drill program beyond where it was originally anticipated but the pathway is now set and the team will be on the ground in mid-October.



## 2. Clean Hydrogen

Following the completion of the Company's Hydrogen PFS, WAH<sub>2</sub> was identified as the focus for Hexagon moving forward.

### WAH<sub>2</sub> – Hexagon's (Blue to Green) Hydrogen Initiative

The WAH<sub>2</sub> project focusses on developing a hybrid green/blue hydrogen production facility in North-Western WA. The strategy is to develop a Hydrogen/Ammonia production facility using Northwest Shelf gas as a feedstock, a high component of renewable electricity for energy. Hexagon has a MoU in place with international solar company FRV to partner for the renewable component. Four other 'pillars' of the project are also being advanced, these are: Securing Gas supply, Securing Land, Agreement around Carbon Sequestration (CCS) and establishing customer base/offtake/strategic partnerships. Newly appointed Director Andrew Kirk has been progressing these four cornerstones of the WAH<sub>2</sub> strategy as outlined below (ASX Announcement 4 July 2022).

- **Securing Gas supply for blue hydrogen feedstock**

Hexagon has entered a mandate with Equity Lifting Solutions (ELS) for various services, including a potential gas supply for the project. For stage one, the project will consume up to 21TJs/day of gas for conversion to Hydrogen increasing to 71TJs/day for full scale production. In addition, Hexagon plans to source power from renewable sources to minimise the sequestration capacity required and, as part of its hybrid approach, to ultimately maximise the renewable nature of the process as technology and economics permit. Hexagon aims to move these supply negotiations to a Heads of Agreement in the near term to accompany the MoU already in place with solar provider FRV.

- **Securing land for site location in the Company's preferred NW Coast of Western Australia**

Hexagon has submitted a comprehensive application with the Western Australian Government to secure an allocation at a Strategic Industrial Area (SIA) at a coastal development on the Northwest Shelf. Hexagon is working with Development WA and JTSI (Department of Jobs Tourism, Science, and Innovation) as part of this process.

- **Finalising agreements around access to CO<sub>2</sub> sequestration capacity**

Hexagon has been in discussions with two large corporations who are progressing CO<sub>2</sub> sequestration and storage projects as part of their existing businesses in the Northwest Shelf. Hexagon is seeking to finalise a Heads of Agreement with one of these groups and to be able to progress this to a binding status as other parts of the project are refined and made definitive.

- **Strategic conversations with offshore customers/funding partners**

Hexagon's WAH<sub>2</sub> strategy is to be an economic and scale player to service the potential demand in North Asia. Management is having ongoing conversations with large business and government groups focused on near term ammonia demand for energy generation. These conversations cover offtake, possible feedstock (gas) supply as well as potential strategic partnerships.

## 3. Halls Creek – Gold and Base Metals

The Halls Creek project lies approximately 100 kilometres to the Southwest of McIntosh. As with McIntosh, the Company has undertaken systematic, structured geological assessments and drill target identification over the past two years.

Exploration drilling co-funding has been secured by Hexagon as part of Round 24 of the Western Australian Government EIS. Further geophysical and geochemical and drilling work at Halls Creek will be undertaken budget permitting.

## 4. Graphite

**McIntosh, WA** – Following the Graphite Mineral Rights Only Earn-In deal with Green Critical Minerals Pty Ltd (GCM) (ASX Announcement 14 February 2022), GCM has continued to make progress in its path to the public markets. Hexagon's management team has formed a good working relationship with GCM's team to help progress both their corporate and operational activities. GCM has announced its intention to enter a transaction with Chase Mining Corporation Limited (CML) (ASX CML Announcement 15 June 2022) and a further announcement by Chase Mining (ASX CML Announcement 16 September) for the NoM to approve that transaction. Under the agreement with Hexagon CML would acquire GCM which in turn would provide access to the financial resources for GCM to meet its financial obligations under the agreement with Hexagon and have sufficient funding to undertake a drill program, and Pre-Feasibility Study work on McIntosh graphite.

**Ceylon, Alabama** – South Star Metals Corp (South Star) has continued to make progress around its focus on Hexagon's Ceylon Graphite project in Alabama as a core project. Hexagon is awaiting findings from South Star from their obliged work program as per the Earn-In deal struck in late December 2021 (ASX Announcement 8 December 2022). The latest update from South Star stated that they plan to initiate a drill program in October with 10-15 holes. Upon completion of the drilling, a consultant will be engaged to produce a 43-101 maiden resource report by Q1 of 2023. Metallurgical test work will also progress with 3 tonnes of ore being turned into ROM concentrates at North Carolina State in Nov. 15kg of ROM concentrate will then be tested for variety of value-add/battery applications. Upon successful results the plan is to undertake an additional 1500-2000m of drilling in Q2/2023 with a view to complete a PEA by Q4/2023.

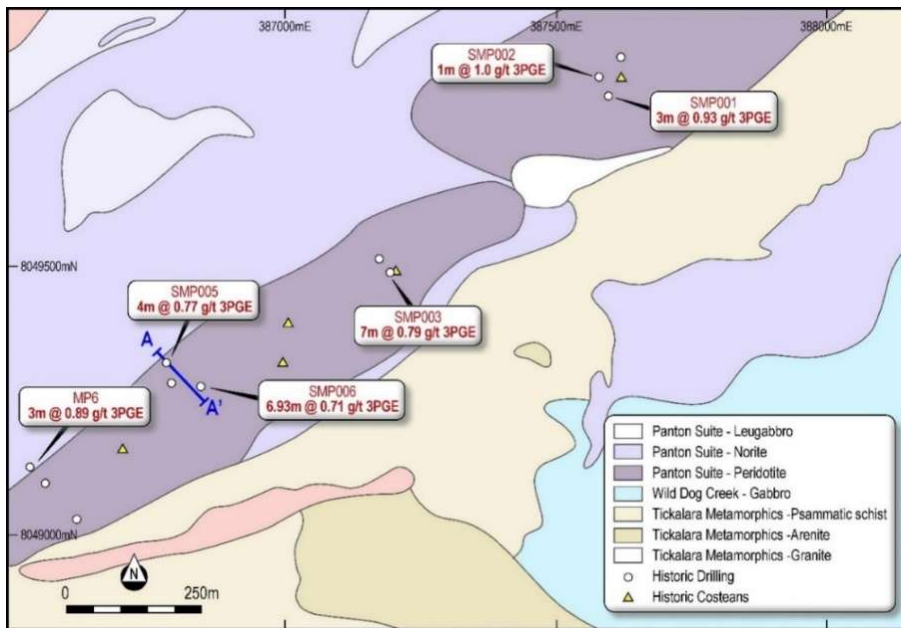
**PROJECT DETAILS**

Hexagon continued to progress a range of activities across its portfolio of assets/projects as follows:

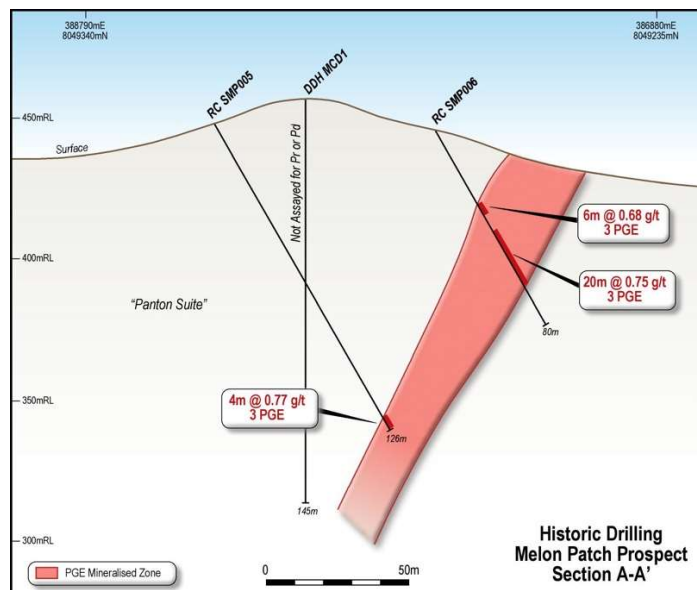
**1. Future Energy Materials**

**1.1 McIntosh Ni-Cu-PGE**

Hexagon has carried out extensive analysis of the McIntosh tenements to ascertain the prospectivity of the project. The positive outcome from these studies justifies the next step in the process of establishing a resource. The upcoming drill program is focused on three areas which have been identified with high prospectivity, Melon Patch, Melon Patch North, and Mabel Hill. Previously Hexagon has announced historic drill intersection results for PGE mineralisation within mapped Panton Suite at McIntosh of 20 m @ 0.75 g/t 3PGE (ASX Announcement 2 February 2022). As shown in Figures 3 and 4 (below).



**Figure 3: Melon Patch Prospect map showing Historic drilling and Costeans with significant intercepts within mapped Panton Suite**



**Figure 4: Section A-A from Melon Patch prospect showing significant 3PGE intercepts, modified from WAMEX Report A73148**

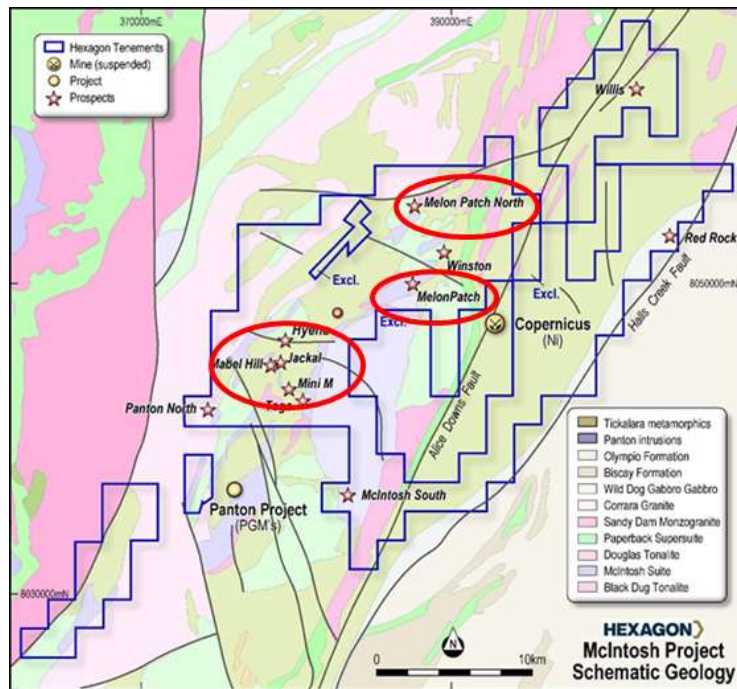
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Hexagon subsequently announced that outstanding results had been recorded from soil sample analyses (up to 3.63g/t 3PGE) on 2021 field session samples collected at McIntosh, with three “Drill-Ready” targets identified within the greater Melon Patch prospect. Other significant results included:

- MIS00399 @ 3.63g/t 3PGE, 0.35% Cu, 0.18% Ni,
- MIS00746 @ 3.01g/t 3PGE, 0.27% Ni, and
- MIS01712 @ 3 g/t 3PGE, 0.24% Ni.

Over 5,000 samples were collected and analysed and Dr. Dennis Arne, of Telemark Geosciences Pty Ltd, then assessed the results. A further 17 highly prospective Ni-Cu-PGE targets were identified across both the greater Melon Patch, Melon Patch North, and Mabel Hill prospects (ASX Announcement 21 March 2022).

All three areas are shown on Figure 5 (below).



**Figure 5: Schematic geology of the McIntosh Project area showing target areas to be drilled during the 2022 field season**

*“The McIntosh 2021 soil sampling results have been excellent, with only 50km<sup>2</sup> (10%) of our 542km<sup>2</sup> holding covered to date. There is a lot more to do here with further sampling expected to lead to target, and we are positive about the prospects at our Halls Creek project.”*

## 1.2 McIntosh - Graphite

As noted above, progress has been made with Green Critical Minerals (GCM) following the agreement signed in Q3 (ASX Announcement 14 February 2022). Under the terms of the agreement GCM has the potential to earn up to 80% of the Graphite mineral rights at McIntosh Project (all other mineral excluded).

To enact the earn-in, a total of \$500,000 cash is payable to Hexagon (\$300,000 on listing of the farm-in entity + \$200,000 on the first anniversary of listing), and a further \$3,000,000 in exploration expenditure is to be made by GCM over four years, to secure 80% of the McIntosh Project Graphite mineral rights.

GCM needs to complete the raising of capital/funds of not less than \$4,500,000 net cash with all relevant ASX listing rules and listing approvals met. The original date for this milestone has been extended from 31 August 2022 to 30 November 2022.

Hexagon has the option, if expenditure commitments are not met, to buy back the Graphite mineral rights. The price would be determined by the stage of development, according to set milestones, but agreed to total not more than \$1,500,000.

Hexagon has already achieved significant advancement of this project having identified combined total Graphite resource of 23.8 million tonnes, grading 4.5% TGC, with 81% indicated being established (ASX Announcement 5 April 2019). In addition, metallurgical test work on bulk samples and considerable project development assessments were also undertaken.

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**1.3 Alabama, USA - Graphite**

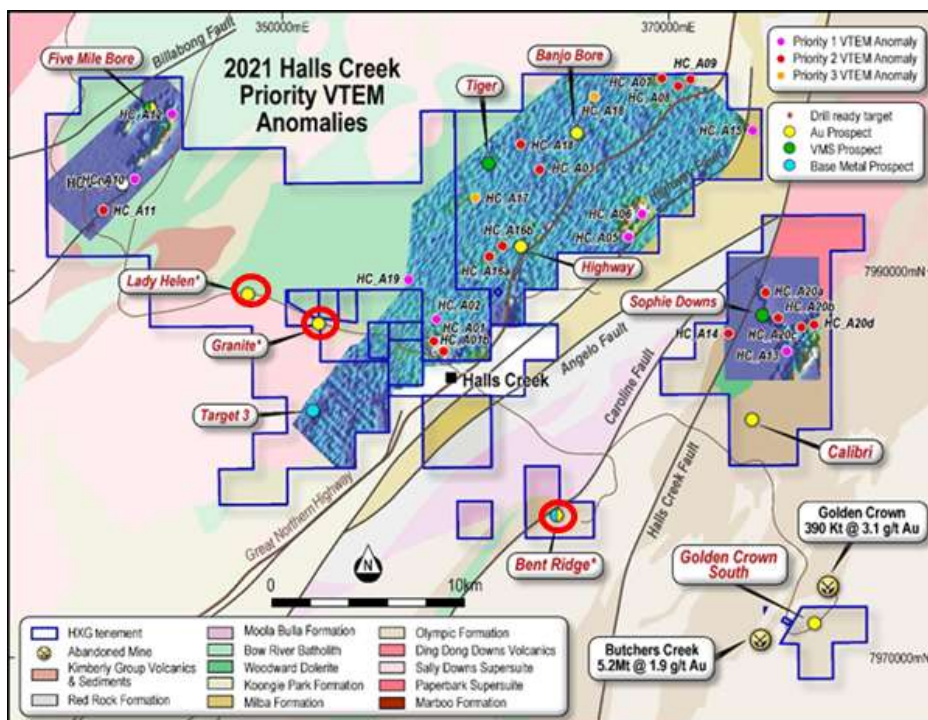
In line with Hexagon’s strategy to progress non-core assets without capital expenditure, the Ceylon Graphite Project is subject to an Earn-In agreement with South Star Metals Corp (TSXV: STS, OTCQB: STSBF) (South Star) finalised in December 2021 (ASX Announcement 13 December 2021). South Star has undertaken:

- A program with North Carolina State University to process approximately 1 tonne of ore and produce around 15 kilograms of concentrate to confirm metallurgical recoveries, grades, and other parameters. This will be the basis for the development of a conceptual flow sheet and complete mass balance and water balances and based on South Star’s Santa Cruz Graphite plant and project development experience, further detail Ceylon’s development plan.
- South Star also plans to test representative ROM samples and concentrates for physical and chemical characteristics, including using QEMSCAN, to better understand the Ceylon deposits mineralogy and contaminants.
- South Star is also planning in relation to overall District Planning Authority (DPA) approvals for the Ceylon project.

**1.4 Halls Creek – Gold and Base Metals**

Soil sampling is planned for Hexagon’s Halls Creek Project in the 2022 field season in tandem with the McIntosh drill program. Halls Creek has also undergone systematic, structured geological review by Hexagon’s geology team over the past two years with the 2021 AEM VTEM™ Max survey targeting potential Volcanic Massive Sulphide (VMS) style mineralisation within the Kongie Park formation completed. This identified seven high, fifteen moderate, and two lower priority anomalies/potential drill targets as shown in Figure 6 (below) (ASX Announcement 12 December 2021).

Additional VTEM work is ongoing. Hexagon’s Halls Creek tenements package totals 430km<sup>2</sup>.



**Figure 6: Drill targets at Hexagon’s Halls Creek Project**

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## 2. Future Energy Project – Hexagon's (Blue to Green) Hydrogen Initiative

The Western Australian Hydrogen Ammonia Project (WAH<sub>2</sub>) (ASX Announcement 5 March 2022) was born out of the key findings of the Pedirka PFS (ASX Announcement 28 February 2022), namely:

- The production of Ammonia as a 'hydrogen carrier' is more commercially viable than liquid hydrogen given existing infrastructure and transport technology.
- Carbon Capture and Storage (CCS) or decarbonisation is a major cost consideration in selecting the project location. Minimising both the volume of CO<sub>2</sub> and transport requirement are key cost drivers. The use of low-cost renewables as the source of energy in the hydrogen conversion process, Air Separation Unit (production of Nitrogen as part of NH<sub>3</sub> production) and on-site CO<sub>2</sub> compression processes drastically reduces gross CO<sub>2</sub>.
- Location – Minimising transport of feedstock and end-product are critical cost drivers. Proximity to coastal export options, and gas supply as well as access to process water are hugely advantageous. Being near port facilities also allows plant pre-fabrication with substantially reduces construction CapEx. The ability to 'piggyback' off existing or planned key infrastructure will mean improvements to commercial returns.

The basis of the project is to build upon the research and insights gained from the PFS to create a hydrogen business that minimises time to production and CapEx while meeting the product, cost and scale requirements of the burgeoning clean energy market in North Asia (specifically Japan). The basis of WAH<sub>2</sub> is to produce zero emission 'decarbonised' hydrogen through a combined use of renewable (solar) power and Northwest Shelf Natural Gas.

Hexagon has already successfully entered into an agreement with FRV Services Australia Pty Ltd (FRV Australia) (ASX Announcement 24 January 2022) which outlines how they may collaborate with Hexagon on WAH<sub>2</sub> in the Northwest of Western Australia and opportunities elsewhere in Australia.

Working with FRV Australia, Hexagon could secure substantial, cost-effective renewable energy supply for clean Ammonia production and longer term for clean Hydrogen production with less CO<sub>2</sub> generated, resulting in less cost in CCS technology and operation, therefore lowering overall production costs for Hexagon's projects.

Initial plant engineering and design completed as part of the consulting agreement with Genesis Energy is being used as basis for further work. A detailed scope of work and schedule to progress WAH<sub>2</sub> through scoping, PFS and into DFS through to operation has been developed in conjunction with an overall WAH<sub>2</sub> budget and potential funding/finance plan.

In addition to the clean energy supply, the project has four strategic partnership discussions covering the remaining pillars of the project. Previously detailed, they are:

- Securing Gas supply for blue hydrogen feedstock
- Securing land for site location in the Company's preferred NW Coast of Western Australia
- Finalising agreements around access to CO<sub>2</sub> sequestration capacity
- Strategic conversations with offshore customers/funding partners.

### Competent Persons' Attributions Exploration Results

The information within this report that relates to exploration results including geological data for the McIntosh Project and Halls Creek Project is based on information generated and compiled by Mr Michael Atkinson. 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.

**DIRECTORS' REPORT**

**15. INTEREST IN EXPLORATION TENEMENTS**

Hexagon Energy Materials Limited held the following interests in exploration tenements as at 30 June 2022:

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

<b>McIntosh, WA</b>				
<b>Tenement</b>	<b>Ownership Status</b>	<b>Application Date</b>	<b>Grant Date</b>	<b>Expiry Date</b>
E80/3864	100% Hexagon	29/01/2007	08/04/2008	7/04/2024
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	13/11/2023

<b>Halls Creek, WA</b>				
<b>Tenement</b>	<b>Ownership Status</b>	<b>Application Date</b>	<b>Grant Date</b>	<b>Expiry Date</b>
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	5/05/2026
E80/5126	75% Hexagon	15/08/2017	25/10/2019	24/10/2024
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

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

\* Mineral Lease Agreements with respective mineral rights holders.

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**DIRECTORS' REPORT**

**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 liabilities 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	30-Dec-20	30-Dec-22	\$0.10	4,000,000	-	-	4,000,000
<b>Total</b>				<b>4,000,000</b>	<b>-</b>	<b>-</b>	<b>4,000,000</b>

**19. REMUNERATION REPORT – AUDITED**

This report for the year ended 30 June 2022 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	- -
Garry Plowright	Non-Executive Director	10 June 2015	-
Andrew Kirk	Non-Executive Director	17 May 2022	-
Merrill Gray	Managing Director	18 October 2021	17 May 2022
Justyn Stedwell	Non-Executive Director	1 December 2020	18 October 2021

**DIRECTORS' REPORT**

Other KMP	Position	Appointment Date	Resignation Date
Ian Gregory	Company Secretary	1 December 2021	-
Rowan Caren	Company Secretary	18 September 2017	1 December 2021
Lianne Grove	Chief Operating Officer	1 April 2021	7 February 2022

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 or Rights
- H Value of Shares to KMP
- I Voting and comments made at the Company's 2021 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 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.

**DIRECTORS' REPORT**

➤ **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 2022, Non-Executive Director fees was \$40,000 per annum (2021: \$36,000 to \$40,000 per annum) for each director.

As at 30 June 2022, the Chairman was entitled to receive fees of \$65,000 per annum (2021: \$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:

	2022	2021	2020	2019*	2018*
Share price at end of financial year (\$)	0.016	0.07	0.04	0.09	0.21
Market capitalisation at end of financial year (\$M)	8.21	30.77	11.70	27.43	61.27
Loss for the financial year (\$)	14,393,804	1,813,077	2,341,291	3,522,805	2,826,627
Director and KMP remuneration	780,659	653,926	883,477	1,694,912	1,316,989

**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 2022 financial year to review management and other staff remuneration packages.

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**DIRECTORS' REPORT**

**D. Details of Remuneration**

During the financial year ended 30 June 2022 and 30 June 2021 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 2022:**

	Short Term Employee Benefits			Long Term Employee Benefits	Post-Employment Benefits	Share-based Payments	Total	Share-based Payments Related %
	Salary & Fees	Bonus	Consulting fees	Leave Entitlements	Super-annuation	Shares & Options		
30-Jun-22	\$	\$	\$	\$	\$	\$	\$	
<b>Directors</b>								
Charles Whitfield	65,000	-	85,000	-	-	-	150,000	-
Garry Plowright	40,000	-	17,510	-	4,000	-	61,510	-
Andrew Kirk <sup>1</sup>	4,839	-	79,200	-	484	-	84,523	-
Justyn Stedwell <sup>2</sup>	10,740	-	-	-	-	-	10,740	-
Merrill Gray <sup>3</sup>	218,755	-	-	21,511	21,875	-	262,141	-
<b>Sub-Total</b>	<b>339,334</b>	<b>-</b>	<b>181,710</b>	<b>21,511</b>	<b>26,359</b>	<b>-</b>	<b>568,914</b>	<b>-</b>
<b>Other KMP</b>								
Rowan Caren <sup>4</sup>	23,400	-	-	-	-	-	23,400	-
Lianne Grove <sup>5</sup>	200,375	-	-	(34,734)	22,704	-	188,345	-
<b>Sub-Total</b>	<b>223,775</b>	<b>-</b>	<b>-</b>	<b>(34,734)</b>	<b>22,704</b>	<b>-</b>	<b>211,745</b>	<b>-</b>
<b>Total</b>	<b>563,109</b>	<b>-</b>	<b>181,710</b>	<b>(13,223)</b>	<b>49,063</b>	<b>-</b>	<b>780,659</b>	<b>-</b>

**Table 2: 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	Total	Share-based Payments Related %
	Salary & Fees	Bonus	Consulting fees	Leave Entitlements	Super-annuation	Shares & Options		
30-Jun-21	\$	\$	\$	\$	\$	\$	\$	
<b>Directors</b>								
Charles Whitfield	65,000	-	85,000	-	-	-	150,000	-
Garry Plowright	38,000	-	-	-	3,610	-	41,610	-
Justyn Stedwell	34,500	-	-	-	-	-	34,500	-
Michael Rosenstreich <sup>6</sup>	159,247	-	-	(31,483)	14,464	(35,159)	107,069	(33%)
<b>Sub-Total</b>	<b>296,747</b>	<b>-</b>	<b>85,000</b>	<b>(31,483)</b>	<b>18,074</b>	<b>(35,159)</b>	<b>333,179</b>	
<b>Other KMP</b>								
Rowan Caren	51,300	-	-	-	-	-	51,300	-
Lianne Grove <sup>5</sup>	222,658	-	-	21,013	25,776	-	269,447	-
<b>Sub-Total</b>	<b>273,958</b>	<b>-</b>	<b>-</b>	<b>21,013</b>	<b>25,776</b>	<b>-</b>	<b>320,747</b>	
<b>Total</b>	<b>570,705</b>	<b>-</b>	<b>85,000</b>	<b>(10,470)</b>	<b>43,850</b>	<b>(35,159)</b>	<b>653,926</b>	

1 On 17 May 2022 Andrew Kirk was appointed a Non-Executive Director of the Company.

2 On 18 October 2021 Mr Stedwell resigned as a Non-Executive Director of the Company.

3 Ms Gray was Managing Director of the Company from 18 October 2021 until 17 May 2022.

4 On 1 December 2021 Mr Caren resigned as Company Secretary of the Company.

5 On 7 February 2022 Ms Grove resigned as Chief Operating Officer of the Company.

6 On 1 December 2020 Mr Rosenstreich resigned as Managing Director of the Company.

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

30-Jun-22	Balance at 1/07/2021	Granted as Remuneration	Shares sold on market	Balance at 30/06/2022
<b>Directors</b>				
Charles Whitfield	5,001,214	-	-	5,001,214
Garry Plowright	1,000,000	-	-	1,000,000
Andrew Kirk	-	-	-	-
Merrill Gray	-	-	-	-
Justyn Stedwell	-	-	-	-
<b>Other KMP</b>				
Rowan Caren	-	-	-	-
Lianne Grove	700,000	-	(500,000)	200,000
<b>Total</b>	<b>6,701,214</b>	<b>-</b>	<b>(500,000)</b>	<b>6,201,214</b>

**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;
- annual director 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.

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**Agreement with Non-Executive Director – Andrew Kirk**

The agreement for Non-Executive Director Services:

- has no specified term;
- annual director fees of \$40,000 plus superannuation, plus the reimbursement of all reasonable business expenses;
- has provision for termination by either the Company or Andrew Kirk; and
- otherwise contains standard terms relating to confidentiality, conflicts of interest and representations and warranties.

The agreement for Commercial advisory and Project Management Services:

- is dated 23 August 2021;
- with an initial term of 3 months on a 2 days per week basis, which was extended indefinitely by the Company;
- involves the payment to Mr Kirk of \$1,200 per day (excluding GST), based on a minimum 8 hours per working day;
- has a provision for 5 days' notice for termination by either the Company or Mr Kirk; and
- otherwise contains standard terms relating to confidentiality, conflicts of interest and representations and warranties.

**Agreement with the Managing Director – Merrill Gray**

On 18 October 2021, the Company and Ms Gray entered into an employment agreement ('Employment Agreement').

The Employment Agreement contained the following terms and conditions:

- annual salary of \$350,000 plus superannuation, plus the reimbursement of all reasonable business expenses;
- 6 weeks' paid leave for each year of service with the Company;
- provision for three months' notice for termination by either Ms Gray or the Company; and
- otherwise contains standard terms relating to confidentiality, conflicts of interest and representations and warranties.

On 17 May 2022 Ms Gray resigned as Managing Director of the Company.

**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.

On 18 October 2021 Mr Stedwell resigned as Non-Executive Director of the Company.

**Agreement with Company Secretary – Rowan Caren**

Mr Rowan Caren was appointed Company Secretary on 18 September 2017. He resigned on 1 December 2021. During the period he assumed responsibility for all company secretarial duties (jointly with Mr Justyn Stedwell from 1 December 2020 until 2 June 2021). Mr Caren was engaged on an on-going consultancy style agreement for the provision of services as company secretary. Services were 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 – Lianne Grove**

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 was also entitled to participate in the employee share scheme at the discretion of the Board.

On 7 February 2022 Ms Grove resigned as Chief Operating Officer of the Company.



**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 2022.

**Employee Share Loan Scheme Shares**

Following the resignation of Ms Grove, effective 7 February 2022, Ms Lianne Grove 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 150,000 vested shares are to be disposed of in accordance with the terms of the ESLS and Ms Grove 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.

No employee share loan scheme shares were issued as remuneration to Directors or other KMP during the year ended 30 June 2022.

**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 2022.

**H. Value of Shares to KMP**

No short or long-term incentive-based shares were issued as remuneration to KMP during the year ended 30 June 2022.

**I. Voting and comments made at the Company's 2021 Annual General Meeting**

The Company received 88% "Yes" votes on a poll in respect of its Remuneration Report for the 2021 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 2022 (2021: nil).

**K. Loans from KMP**

There were no loans from any KMP during the year ended 30 June 2022 (2021: nil).

**L. Other transactions with KMP**

**Charles Whitfield - Non-Executive Chairman**

Drumrock Capital Ltd, an entity associated with Charles Whitfield, provided consulting services totaling \$85,000 to the Company during the financial year (2021: \$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 a book value in Ebony Energy's accounts at 30 June 2022 of \$195,085 (2021: \$195,085).

**Garry Plowright - Non-Executive Director**

Garry Plowright provided Consulting Services totaling \$17,510 to the Company during the financial year (2021: nil).

**Andrew Kirk - Non-Executive Director**

The Trustee for the Asiago Trust, an entity associated with Andrew Kirk, provided Commercial Advisory and Project Management Services totaling \$79,200 to the Company during the financial year (2021: nil).

All transactions were made on normal commercial terms and conditions and at market rates.

There were no other transactions with KMP during the financial year ended 30 June 2022.

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://hxgenenergymaterials.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-22	30-Jun-21
	\$	\$
<b>Remuneration for other services</b>		
Taxation services	25,683	19,425
Technical advice including R&D Claims	44,566	18,269
<b>Total Non-Audit Services</b>	<b>70,249</b>	<b>37,694</b>

## 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 26.

Signed in accordance with a resolution of the Board of Directors

**Charles Whitfield**  
Non-Executive Chairman  
30 September 2022

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 2022, 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  
30 September 2022

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME**

	Note	30-Jun-22 \$	30-Jun-21 \$
Other income	6	296,835	384,298
Exchange differences on translation of foreign currencies		33,935	(15,409)
Business development		(145,965)	(466,695)
Corporate and administration expenses	7	(769,570)	(778,851)
Exploration and evaluation expenditure	7	(1,251,908)	(685,635)
Impairment of exploration and evaluation expenditure	12	(12,107,892)	-
Loss on disposal of plant and equipment		(5,275)	(2,073)
Personnel expenses and director fees	7	(443,964)	(325,666)
Net reversal of share-based payments	18	-	76,954
<b>Loss from continuing operations before income tax</b>		<b>(14,393,804)</b>	<b>(1,813,077)</b>
Income tax expense	8	-	-
<b>Loss from continuing operations after income tax</b>		<b>(14,393,804)</b>	<b>(1,813,077)</b>
<b>Total comprehensive loss for the year</b>		<b>(14,393,804)</b>	<b>(1,813,077)</b>
<b>Loss from continuing operations for the year is attributable to:</b>			
Owners of Hexagon Energy Materials Limited		(14,393,804)	(1,813,077)
Non-controlling interests		-	-
		<b>(14,393,804)</b>	<b>(1,813,077)</b>
<b>Total comprehensive loss for the year is attributable to:</b>			
Owners of Hexagon Energy Materials Limited		(14,393,804)	(1,813,077)
Non-controlling interests		-	-
		<b>(14,393,804)</b>	<b>(1,813,077)</b>
<b>Loss per share attributable to ordinary equity holders</b>			
- Basic and diluted loss per share (\$)	9	(0.032)	(0.005)

*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-22	30-Jun-21
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	10(a)	2,398,757	5,051,746
Trade and other receivables	11	336,573	129,625
<b>Total current assets</b>		<b>2,735,330</b>	<b>5,181,371</b>
<b>Non-current assets</b>			
Trade and other receivables		3,300	5,500
Plant and equipment		12,120	20,936
Exploration and evaluation assets	12	2,658,270	13,314,152
Right of use assets		-	26,162
<b>Total non-current assets</b>		<b>2,673,690</b>	<b>13,366,750</b>
<b>Total assets</b>		<b>5,409,020</b>	<b>18,548,121</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	13	1,585,063	2,048,958
Provisions	14	13,050	35,715
Lease liability		-	27,439
<b>Total current liabilities</b>		<b>1,598,113</b>	<b>2,112,112</b>
<b>Total liabilities</b>		<b>1,598,113</b>	<b>2,112,112</b>
<b>Net assets</b>		<b>3,810,907</b>	<b>16,436,009</b>
<b>EQUITY</b>			
Contributed equity	15	76,276,005	74,507,303
Reserves	16	107,716	107,716
Accumulated losses	17	(72,572,814)	(58,179,010)
<b>Total equity</b>		<b>3,810,907</b>	<b>16,436,009</b>

*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 \$
<b>Balance at 1 July 2021</b>	<b>74,507,303</b>	<b>107,716</b>	<b>(58,179,010)</b>	<b>16,436,009</b>
<b>Comprehensive income:</b>				
Loss for the year	-	-	(14,393,804)	(14,393,804)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>(14,393,804)</b>	<b>(14,393,804)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Issue of share capital	1,891,907	-	-	1,891,907
Capital raising costs	(123,205)	-	-	(123,205)
<b>At 30 June 2022</b>	<b>76,276,005</b>	<b>107,716</b>	<b>(72,572,814)</b>	<b>3,810,907</b>
	<b>Contributed Equity \$</b>	<b>Reserves \$</b>	<b>Accumulated Losses \$</b>	<b>Total Equity \$</b>
<b>Balance at 1 July 2020</b>	<b>58,857,850</b>	<b>2,413,317</b>	<b>(58,588,482)</b>	<b>2,682,685</b>
<b>Comprehensive income:</b>				
Loss for the year	-	-	(1,813,077)	(1,813,077)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>(1,813,077)</b>	<b>(1,813,077)</b>
<b>Transactions with owners in their capacity as owners:</b>				
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	-
<b>At 30 June 2021</b>	<b>74,507,303</b>	<b>107,716</b>	<b>(58,179,010)</b>	<b>16,436,009</b>

*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-22	30-Jun-21
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(1,125,323)	(1,409,909)
Payments for exploration and evaluation expenses		(2,718,360)	(507,039)
Receipt of McIntosh rehabilitation reimbursement		-	150,000
Interest received		2,951	1,571
<b>Net cash used in operating activities</b>	10(c)	<b>(3,840,732)</b>	<b>(1,765,377)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash acquired from acquisition of subsidiary		-	29,557
Payments for plant and equipment		(3,730)	(12,466)
Payments for exploration and evaluation	12	(505,155)	(853,244)
Receipt of government grant in relation to exploration assets		-	161,842
<b>Net cash used in investing activities</b>		<b>(508,885)</b>	<b>(674,311)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		1,738,702	6,356,644
Payment for lease liability		(42,074)	(55,388)
<b>Net cash provided by financing activities</b>		<b>1,696,628</b>	<b>6,301,256</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(2,652,989)</b>	<b>3,861,568</b>
Cash and cash equivalents at the beginning of the year		5,051,746	1,205,587
Net foreign exchange differences		-	(15,409)
<b>Cash and cash equivalents at the end of the year</b>	10(a)	<b>2,398,757</b>	<b>5,051,746</b>

*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 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 2022 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 30 September 2022.

#### (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 2022 the group recorded a loss of \$14,393,804 and net cash outflows from operating activities of \$3,840,732. 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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:

#### **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 Project 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-22	30-Jun-21
	\$	\$
Interest income	2,951	958
Research and development income tax concession	290,981	161,842
Exploration and evaluation rehabilitation (i)	-	150,000
ATO COVID-19 subsidy	-	67,500
Other revenue	2,903	3,998
	<b>296,835</b>	<b>384,298</b>

(i) In the prior year, 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-22	30-Jun-21
	\$	\$
<b>Corporate and administration expenses</b>		
Accounting and finance expenses	192,044	164,308
Compliance and regulatory expenses	239,433	220,728
Consulting and corporate expenses	85,000	122,319
Depreciation expense	7,271	4,817
Investor relations and promotional expenses	109,662	155,742
Insurance expense	30,790	18,794
IT expenses	22,207	26,410
Rent expense	66,797	54,954
Travel and accommodation expenses	3,202	5,576
Other administration expenses	13,164	5,203
	<b>769,570</b>	<b>778,851</b>
<b>Exploration and evaluation expenditure</b>		
Exploration and evaluation expenditure on McIntosh Project	1,251,908	685,635
	<b>1,251,908</b>	<b>685,635</b>
<b>Personnel expenses and director fees</b>		
Wages and salaries, including superannuation	329,385	207,056
Director fees and other benefits	114,579	118,610
	<b>443,964</b>	<b>325,666</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**8. INCOME TAX EXPENSE**

	<b>30-Jun-22</b>	<b>30-Jun-21</b>
	<b>\$</b>	<b>\$</b>
Accounting loss before income tax	(14,393,804)	(1,813,077)
Tax at the Australian tax rate of 30% (2021: 30%)	(4,318,141)	(543,923)
Research & development benefits	(87,294)	(48,553)
Other permanent differences	2,529	53,041
Deferred tax assets not brought to account	4,402,906	539,435
<b>Income tax expense/benefit</b>	<b>-</b>	<b>-</b>
<b>Deferred tax liability</b>		
Unrealised foreign exchange	10,299	14,398
Lease	-	1,094
Research and development assets/exploration	797,481	947,075
	<b>807,780</b>	<b>962,567</b>
Offset of deferred tax assets	(807,780)	(962,567)
<b>Net deferred tax liability recognised</b>	<b>-</b>	<b>-</b>
<b>Unrecognised deferred tax asset</b>		
Tax losses	10,686,174	9,411,003
Expenses taken into equity	107,240	-
Other temporary differences	3,052,477	557,286
	<b>13,845,891</b>	<b>9,968,289</b>
Offset of deferred tax liabilities	(807,780)	(962,567)
<b>Net deferred tax assets</b>	<b>13,038,111</b>	<b>9,005,722</b>

**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 as 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**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**

	<b>30-Jun-22</b>	<b>30-Jun-21</b>
Net loss attributable to the ordinary equity holders of the Group (\$)	(14,393,804)	(1,813,077)
Weighted average number of ordinary shares for basic loss per share (No.)	456,196,035	329,881,597
<b>Continuing operations</b>		
- Basic and diluted loss per share (\$)	(0.032)	(0.005)

**Recognition and Measurement**

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

**10. CASH AND CASH EQUIVALENTS**

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

	<b>30-Jun-22</b>	<b>30-Jun-21</b>
	<b>\$</b>	<b>\$</b>
Cash on hand and at bank	2,378,742	2,504,906
Short-term deposits	20,015	2,546,840
	<b>2,398,757</b>	<b>5,051,746</b>

**(b) Interest rate risk exposure**

The Group's exposure to interest rate risk is discussed in Note 19: Financial Risk Management.

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

	<b>30-Jun-22</b>	<b>30-Jun-21</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax	(14,393,804)	(1,813,077)
<b>Adjustments for:</b>		
Depreciation	7,271	4,817
Exchange differences on translation of foreign currencies	(33,935)	15,409
Impairment of exploration and evaluation expenditure	12,107,892	-
Lease amortisation and interest	26,534	36,645
Loss on disposal of plant and equipment	5,275	2,073
Share based payments	-	(76,954)
Research and development income tax concession	(290,981)	(161,842)
<b>Change in operating assets and liabilities</b>		
Increase in receivables	(206,948)	(111,729)
(Decrease) / increase in trade payables and accruals	(1,039,371)	348,770
Decrease in employee entitlements	(22,665)	(9,489)
<b>Net cash outflow from operating activities</b>	<b>(3,840,732)</b>	<b>(1,765,377)</b>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**10. CASH AND CASH EQUIVALENTS (CONTINUED)**

**(d) Non-cash financing and investing activities**

In the prior 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 15, Contributed Equity.

No non-cash financing and investing activities have occurred during the year ended 30 June 2022.

**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. TRADE AND OTHER RECEIVABLES**

	30-Jun-22	30-Jun-21
	\$	\$
Other receivables	45,592	129,625
Research and development income tax concession receivable (i)	290,981	-
	<b>336,573</b>	<b>129,625</b>

(i) The 2021 research and development income tax concession was received in July 2022.

**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-22	30-Jun-21
	\$	\$
Carrying amount of exploration and evaluation expenditure	2,658,270	13,314,152
<b><u>Movement reconciliation</u></b>		
<b>Balance at the beginning of the financial year</b>	<b>13,314,152</b>	<b>1,583,396</b>
Exploration expenditure during the year	1,422,010	1,136,059
Acquired through share consideration	30,000	10,594,697
Impairment of exploration and evaluation expenditure (i)	(12,107,892)	-
<b>Balance at the end of the financial year</b>	<b>2,658,270</b>	<b>13,314,152</b>

(i) Impairment of exploration and evaluation expenditure:

In line with accounting standards and policies the Company is required to assess exploration and evaluation assets for impairment for each reporting period.

The Company commenced the Pedirka PFS in April 2021 with a targeted completion date of 31 December 2021. The outcomes generated from this Pedirka PFS scope of work provided inputs into a financial model covering multi-plant locations – Alice Springs (base case) and Middle Arm, Darwin. The PFS was expanded to assess alternative locations, feedstock sources and technologies and was completed and announced on 28 February 2022. At which time, more commercially attractive clean Hydrogen projects for Hexagon to pursue were identified.

Based on the Pedirka PFS findings, in accordance with the requirements of Australian Accounting Standard AASB 6 (see below), accounting adjustments for the reporting period have subsequently been made. The Company has impaired all exploration and evaluation expenditure in relation to the Pedirka Project, as at 30 June 2022.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**12. EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

The Board does not believe that this impairment is indicative of the current potential commercial value of the Pedirka Project inclusive of its underlying coal assets. The Board believes that both the Pedirka Project and Pedirka PFS expenditure which, to some extent, has carried over into the WAH<sub>2</sub> project, have residual value for the Company. In line with recent transactions, the Company will now seek to deliver shareholder value through a Pedirka Project transaction.

**Recognition and Measurement:**

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 otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

The Company is required to assess its exploration and evaluation assets 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.

**13. TRADE AND OTHER PAYABLES**

	<b>30-Jun-22</b>	<b>30-Jun-21</b>
	\$	\$
Trade payables	197,726	640,622
Other payables and accrued expenses	1,387,337	1,408,336
	<b>1,585,063</b>	<b>2,048,958</b>

**Liquidity risk exposure**

The Group's exposure to liquidity risk is discussed in Note 19: 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**

**14. PROVISIONS**

	30-Jun-22	30-Jun-21
	\$	\$
Provision for annual leave	13,050	35,715
	<b>13,050</b>	<b>35,715</b>

**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.

**15. CONTRIBUTED EQUITY**

**a. Issued and fully paid**

	30-Jun-22		30-Jun-21	
	\$	No.	\$	No.
Fully paid ordinary shares	76,276,005	512,915,901	74,507,303	446,013,827
	<b>76,276,005</b>	<b>512,915,901</b>	<b>74,507,303</b>	<b>446,013,827</b>

**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**

<b>ORDINARY SHARES</b>		<b>Quantity</b>	<b>\$</b>
<b>Balance 30 June 2020</b>		<b>292,433,397</b>	<b>58,857,850</b>
Performance options exercised & transferred to issued capital		-	94,250
Share placement <sup>(1)</sup>	3/12/2020	8,771,930	500,000
First tranche of Hexagon shares issued to shareholders of Ebony <sup>(2)</sup>	23/03/2021	87,145,988	9,150,329
Final tranche of Hexagon shares issued to shareholders of Ebony <sup>(3)</sup>	8/04/2021	1,298,876	136,382
Share placement <sup>(4)</sup>	6/05/2021	56,363,636	6,200,000
Share issue expenses		-	(431,508)
<b>Balance 30 June 2021</b>		<b>446,013,827</b>	<b>74,507,303</b>
Shares issued to acquire tenements <sup>(5)</sup>	4/02/2022	405,406	30,000
Share placement <sup>(6)</sup>	6/05/2022	66,496,668	1,861,907
Share issue expenses		-	(123,205)
<b>Balance 30 June 2022</b>		<b>512,915,901</b>	<b>76,276,005</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 15. CONTRIBUTED EQUITY (CONTINUED)

- (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, 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 18: Share Based Payments, for detail regarding the valuation of the unlisted options.
- (2) 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.
- (3) 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.
- (4) 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.
- (5) On 4 February 2022, the Company exercised a Call Option to acquire the remaining 25% interest in an Exploration Licence for its Halls Creek Gold Project. As per the Call Option, the Company issued 405,406 fully paid ordinary shares at \$0.074 per share, a total value of \$30,000, to the two Vendors.
- (6) On 6 May 2022, 66,496,668 fully paid ordinary shares were issued at \$0.028 per share to institutional and sophisticated investors to raise \$1,861,907 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.

#### 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**16. RESERVES**

	30-Jun-22	30-Jun-21
	\$	\$
Options reserve (i)	88,152	88,152
Share loan scheme reserve (ii)	19,564	19,564
	<b>107,716</b>	<b>107,716</b>

**(i) Option reserve**

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

	30-Jun-22	30-Jun-21
	\$	\$
<b>Movement reconciliation</b>		
<b>Balance at the beginning of the financial year</b>	<b>88,152</b>	<b>2,220,082</b>
Vesting expenses relating to options during the year	-	88,152
Options expired	-	(2,220,082)
<b>Balance at the end of the financial year</b>	<b>88,152</b>	<b>88,152</b>

**(ii) Share loan scheme reserve**

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

	30-Jun-22	30-Jun-21
	\$	\$
<b>Movement reconciliation</b>		
<b>Balance at the beginning of the financial year</b>	<b>19,564</b>	<b>96,518</b>
Reversal of share-based payment expense	-	(76,954)
<b>Balance at the end of the financial year</b>	<b>19,564</b>	<b>19,564</b>

**17. ACCUMULATED LOSSES**

	30-Jun-22	30-Jun-21
	\$	\$
<b>Movement reconciliation</b>		
<b>Balance at the beginning of the financial year</b>	<b>(58,179,010)</b>	<b>(58,588,482)</b>
Net loss during the year	(14,393,804)	(1,813,077)
Options expired	-	2,220,082
Exchange differences on translation of foreign operations	-	2,467
<b>Balance at the end of the financial year</b>	<b>(72,572,814)</b>	<b>(58,179,010)</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**18. SHARE BASED PAYMENTS**

	Number of options & shares	Share-based payment at 30-Jun-22	Reversal of share-based payment at 30-Jun-22
Capital Raise Options (i)	4,000,000	-	-
Loan Scheme Shares (ii)	-	-	-
<b>Total</b>	<b>4,000,000</b>	<b>-</b>	<b>-</b>

**(i) 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
<b>Total</b>				<b>4,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,000,000</b>

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 15, 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
<b>Total fair value</b>	<b>\$88,152</b>

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.

**(ii) 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
L Grove	21-Jan-19	4-Feb-29	\$0.14	150,000	-	-	(150,000)	-
<b>Total</b>				<b>150,000</b>	<b>-</b>	<b>-</b>	<b>(150,000)</b>	<b>-</b>

L Grove: Following the resignation of Ms Grove, effective 7 February 2022, Ms Lianne Grove 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 vested shares are to be disposed of in accordance with the terms of the ESLS and Ms Grove 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**19. 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-22	30-Jun-21
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	2,398,757	5,051,746
Trade and other receivables	339,873	135,125
	<b>2,738,630</b>	<b>5,186,871</b>
<b>Financial liabilities</b>		
Trade and other payables	1,585,063	2,048,958
Lease liability	-	27,439
	<b>1,585,063</b>	<b>2,076,397</b>
<b>Net exposure</b>	<b>1,153,567</b>	<b>3,110,474</b>

**(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 2022, the Consolidated Entity had the following exposure to foreign currency:

	30-Jun-22	30-Jun-21
	\$	\$
<b>Financial assets:</b>		
Cash and cash equivalents – US Dollar	-	750
<b>Financial liabilities:</b>		
Trade and other payables - US Dollar	-	2,123
<b>Net exposure</b>	-	<b>(1,373)</b>

**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-22	30-Jun-21	30-Jun-22	30-Jun-21
	\$	\$	\$	\$
<b>Judgements of reasonably possible movements:</b>				
+ 10.0%	-	125	-	125
- 10.0%	-	(154)	-	(154)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**19. FINANCIAL RISK MANAGEMENT (CONTINUED)**

*(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-22		30-Jun-21	
	Weighted average interest rate	Balance \$	Weighted average interest rate	Balance \$
Cash and cash equivalents	0.00%	2,398,757	0.12%	5,051,746

**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 2022, 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-22	30-Jun-21	30-Jun-22	30-Jun-21
	\$	\$	\$	\$
<b>Judgements of reasonably possible movements:</b>				
+ 1.0% (100 basis points)	23,988	50,517	23,988	50,517
- 1.0% (100 basis points)	(23,988)	(50,517)	(23,988)	(50,517)

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

**(b) Credit risk**

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

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

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

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

*(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-22	30-Jun-21
	\$	\$
<b>Cash at bank and short-term bank deposits:</b>		
Financial institutions - Standard & Poor's rating of AA-	2,398,757	5,051,746
	<b>2,398,757</b>	<b>5,051,746</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**19. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(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 2022.

Contractual maturities of financial liabilities	<6 months	>6-12 months	>12 months	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$	\$
<b>30-Jun-22</b>					
Trade and other payables	242,085	-	1,342,978	1,585,063	1,585,063
	<b>242,085</b>	<b>-</b>	<b>1,342,978</b>	<b>1,585,063</b>	<b>1,585,063</b>
<b>30-Jun-21</b>					
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
	<b>723,458</b>	<b>9,961</b>	<b>1,342,978</b>	<b>2,076,397</b>	<b>2,076,397</b>

**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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**19. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**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.

**20. 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
30-Jun-22	\$	\$	\$	\$
<b>Revenue</b>				
Interest income	-	-	2,951	2,951
Research & development income tax concession	-	290,981	-	290,981
Other income	-	-	2,903	2,903
<b>Total segment revenue</b>	-	<b>290,981</b>	<b>5,854</b>	<b>296,835</b>

**Reconciliation of segment results to net loss before tax**

**Amounts not included in segment results but reviewed by the Board**

- Exploration and evaluation expenditure	-	(1,251,908)	-	(1,251,908)
- Impairment of exploration and evaluation expenditure	-	(12,107,892)	-	(12,107,892)
- Corporate and administration expenses				(1,184,874)
- Business development				(145,965)
<b>Net loss before tax from continuing operations</b>				<b>(14,393,804)</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**20. SEGMENT REPORTING (CONTINUED)**

	Exploration USA	Exploration Australia	Administration	Total
<b>30-Jun-21</b>	\$	\$	\$	\$
<b>Revenue</b>				
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
<b>Total segment revenue</b>	-	<b>311,842</b>	<b>72,456</b>	<b>384,298</b>

**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)
<b>Net loss before tax from continuing operations</b>				<b>(1,813,077)</b>

**(ii) Segment assets**

	Exploration USA	Exploration Australia	Administration	Total
<b>30-Jun-22</b>	\$	\$	\$	\$
<b>Total segment asset</b>	-	<b>2,658,270</b>	<b>2,750,750</b>	<b>5,409,020</b>

	Exploration USA	Exploration Australia	Administration	Total
<b>30-Jun-21</b>	\$	\$	\$	\$
<b>Total segment asset</b>	-	<b>13,314,152</b>	<b>5,233,969</b>	<b>18,548,121</b>

**(iii) Segment liabilities**

	Exploration USA	Exploration Australia	Administration	Total
<b>30-Jun-22</b>	\$	\$	\$	\$
<b>Total segment liabilities</b>	-	<b>109,945</b>	<b>1,488,168</b>	<b>1,598,113</b>

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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**21. 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-22	30-Jun-21
	\$	\$
Short-term benefits	744,819	655,705
Long-term benefits	(13,223)	(10,470)
Post-employment benefits	49,063	43,850
Net reversal of share-based payments	-	(35,159)
	<b>780,659</b>	<b>653,926</b>

Detailed remuneration disclosures are provided in the Remuneration Report in the Directors' Report.

**Transactions with Related Parties**

**Charles Whitfield - Non-Executive Chairman**

Drumrock Capital Ltd, an entity associated with Charles Whitfield, provided consulting services totaling \$85,000 to the Company during the financial year (2021: \$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 2022 of \$195,085.

**Garry Plowright - Non-Executive Director**

Garry Plowright provided Consulting Services totaling \$17,510 to the Company during the financial year (2021: nil).

**Andrew Kirk - Non-Executive Director**

The Trustee for the Asiago Trust, an entity associated with Andrew Kirk, provided Commercial Advisory and Project Management Services totaling \$79,200 to the Company during the financial year (2021: nil).

All transactions were made on normal commercial terms and conditions and at market rates.

There were no other transactions with KMP during the financial year ended 30 June 2022.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**22. PARENT ENTITY INFORMATION**

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

	30-Jun-22	30-Jun-21
	\$	\$
Current assets	2,735,330	5,179,017
Non-current assets	1,330,712	12,021,648
<b>Total assets</b>	<b>4,066,042</b>	<b>17,200,665</b>
Current liabilities	255,135	764,656
<b>Total liabilities</b>	<b>255,135</b>	<b>764,656</b>
<b>Net assets</b>	<b>3,810,907</b>	<b>16,436,009</b>
Issued capital	76,276,005	74,507,303
Reserves	107,716	107,716
Accumulated losses	(72,572,814)	(58,179,010)
<b>Total equity</b>	<b>3,810,907</b>	<b>16,436,009</b>
Loss after income tax	(15,439,538)	(2,790,962)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>(15,439,538)</b>	<b>(2,790,962)</b>

**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
	2022	2021	
Ebony Energy Ltd <sup>(1)</sup>	100%	100%	Australia
Pedirka Basin Pty Ltd <sup>(1)</sup>	100%	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) In the previous 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**23. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

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

**24. 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-22	30-Jun-21
	\$	\$
<b>Exploration obligations to be undertaken:</b>		
Payable within one year	1,398,573	1,212,278
Payable within one year and five years	1,539,721	1,856,835
	<b>2,938,294</b>	<b>3,069,113</b>

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

**25. 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.

**26. AUDITOR'S REMUNERATION**

	30-Jun-22	30-Jun-21
	\$	\$
<b>BDO Audit (WA) Pty Ltd</b>		
<b>Remuneration paid or payable for:</b>		
- Auditing and reviewing the financial reports	43,285	47,709
<b>Non-audit services:</b>		
- Taxation services - BDO Tax (WA) Pty Ltd	25,683	19,425
- Technical advice including R&D claims - BDO Tax (WA) Pty Ltd	44,566	18,269
<b>Total auditors' remuneration</b>	<b>113,534</b>	<b>85,403</b>

**27. EVENTS AFTER END OF FINANCIAL YEAR**

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.

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**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 2022 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 18 to 25 of the directors' report (as part of audited Remuneration Report), for the year ended 30 June 2022, 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**  
**30 September 2022**

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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 2022, 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 2022 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 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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## Key audit matters

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

### Carrying Value of Exploration and Evaluation Assets

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As disclosed in Note 12 to the Financial Report, the carrying value of the exploration and evaluation asset represents a significant asset of the Group.</p> <p>The Group's accounting policies and significant judgements applied to capitalised exploration and evaluation expenditure are detailed in Note 12 of the Financial Report.</p> <p>In accordance with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i> ('AASB 6'), the recoverability of exploration and evaluation expenditure requires significant judgement by management in determining whether there are any facts and circumstances that exist to suggest the carrying amount of this asset may exceed its recoverable amount. As a result, this is considered a key audit matter.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Assessing whether rights to tenure of the Group's area of interest remained current at balance date;</li> <li>• 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;</li> <li>• Considering whether any such areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed;</li> <li>• Evaluating management's basis for the impairment charge, including verifying the mathematical accuracy of the charge;</li> <li>• Considering whether any facts or circumstances existed to suggest impairment testing was required; and</li> <li>• Assessing the adequacy of the related disclosures in Note 12 of the Financial Report.</li> </ul>

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## Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and the auditor's report thereon.

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

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

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

## Responsibilities of the directors for the Financial Report

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

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

## Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](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 18 to 25 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Hexagon Energy Materials Limited, for the year ended 30 June 2022, 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

A handwritten signature in black ink, appearing to read 'J Prue', is written over the printed name.

Jarrad Prue

Director

Perth

30 September 2022

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**SHAREHOLDER INFORMATION**

The following additional information was applicable as at 25 September 2022.

**1. Fully paid ordinary shares**

- There are a total of 512,915,901 ordinary fully paid shares on issue which are listed on the ASX.
- The number of holders of fully paid ordinary shares is 3,572.
- 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	83	15,879	0.00%
1,001 - 5,000	319	1,254,649	0.24%
5,001 - 10,000	726	5,734,206	1.12%
10,001 - 100,000	1,799	68,316,378	13.32%
100,001 - 9,999,999,999	645	437,594,789	85.32%
<b>Totals</b>	<b>3,572</b>	<b>512,915,901</b>	<b>100.00%</b>

**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 (at \$0.016 per unit minimum parcel size is 31,250 shares).

There are 2,123 shareholders who hold less than a marketable parcel of shares, amounting to 25,835,540 shares or 5.04% of issued capital.

**5. Substantial shareholders of ordinary fully paid shares**

There are no Substantial Shareholders of the Company.

**6. Restricted Securities**

There are no shares on issue that are subject to voluntary escrow restrictions or mandatory escrow restriction under ASX Listing Rules Chapter 9.

**7. Share buy-backs**

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

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## SHAREHOLDER INFORMATION

### 8. 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.

### 9. Top 20 Shareholders of ordinary fully paid shares

The top 20 largest fully paid ordinary shareholders together held 30.97% of the securities in this class and are listed below:

Rank	Holder Name	Securities	% of Issued
1	CITICORP NOMINEES PTY LIMITED	17,315,321	3.38%
2	INVESTORLINK DIRECT PORTFOLIO PTY LIMITED	15,926,707	3.11%
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,634,108	2.66%
4	1215 CAPITAL PTY LTD	12,791,296	2.49%
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,560,314	1.86%
6	LENARK PTY LTD <LENARK INVESTMENT A/C>	9,284,075	1.81%
7	180 MARKETS PTY LTD	9,177,857	1.79%
8	LEFT BRAIN STRATEGIES PTY LTD <LEFT BRAIN STRATEGIES A/C>	9,020,427	1.76%
9	YUCAJA PTY LTD <THE YOEGIAR FAMILY A/C>	7,988,953	1.56%
10	INVESTORLINK SUPER PTY LIMITED	7,430,000	1.45%
11	SIMON PATRICK DOWD	6,727,733	1.31%
12	JOWJIN PTY LTD <KEERATI A/C>	6,320,000	1.23%
13	XENOBLAST PTY LTD <PATHFINDER EXPLR P/L SF A/C>	5,232,703	1.02%
14	BNP PARIBAS NOMS PTY LTD <DRP>	4,852,692	0.95%
15	THE STEPHENS GROUP SUPER FUND PTY LTD <STEPHENS GROUP S/F A/C>	4,696,970	0.92%
16	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	4,153,395	0.81%
17	MUSSETT PTY LTD	4,000,000	0.78%
18	COLONIAL FIRST STATE INV LTD <5443305 ROBSON A/C>	3,586,927	0.70%
19	BOSSWHAT PTY LTD <D VIRGARA FAMILY A/C>	3,571,429	0.70%
20	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	3,560,893	0.69%
	<b>Total</b>	<b>158,831,800</b>	<b>30.97%</b>