

For personal use only



HEXAGON ENERGY MATERIALS LIMITED

ABN 27 099 098 192

INTERIM FINANCIAL REPORT

**FOR THE HALF-YEAR ENDED
31 DECEMBER 2022**

CONTENTS

Corporate Directory	2
Director's Report	3
Auditors Independence Declaration	11
Consolidated Statement of Profit or Loss & Other Comprehensive Income	12
Consolidated Statement of Financial Position	13
Consolidated Statement of Changes in Equity	14
Consolidated Statement of Cash Flows	15
Notes to Financial Statements	16
Directors' Declaration	21
Independent Auditor's Review Report	22

For personal use only

Board of Directors

Charles Whitfield - Non-Executive Chairman

Garry Plowright - Non-Executive Director

Andrew Kirk – Non-Executive Director

Officers of the Company

Ian Gregory - Company Secretary

Registered Office & Principal Place of Business

45 Ventnor Avenue
West Perth WA 6005

T: +61 (08) 6244 0349

E-mail: info@hxgenergymaterials.com.au

Website: www.hxgenergymaterials.com.au

Domicile and Country of Incorporation

Australia

Australian Business Number

27 099 098 192

Auditors

BDO Audit (WA) Pty Ltd

Level 9, Mia Yellagonga Tower 2

5 Spring Street

Perth, WA 6000

Website: www.bdo.com.au

Share Registry

Automic Group

Level 5, 191 St Georges Terrace

Perth, WA 6000

Website: www.automicgroup.com.au

Securities Exchange

Australian Securities Exchange Limited (ASX)

Home Exchange - Perth

ASX Code - HXG (Ordinary Shares)

Your Directors present their half-year report on Hexagon Energy Materials Limited ('Hexagon' or 'Company') and its controlled entities ('Consolidated Entity' or 'Group') for the half-year ended 31 December 2022.

1. BOARD OF DIRECTORS

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

Name	Position	Period of Directorship
Charles Whitfield	Non-Executive Director	Appointed 22 August 2016
	Non-Executive Chairman	Appointed 5 May 2017
Garry Plowright	Non-Executive Director	Appointed 10 June 2015
Andrew Kirk	Non-Executive Director	Appointed 17 May 2022

2. CORPORATE INFORMATION

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

3. NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

Hexagon is an Australian-listed company focused on *Future Energy* project development and *Future Energy Materials* exploration and project development. Hexagon's corporate strategy is shown in Figure 1 below.

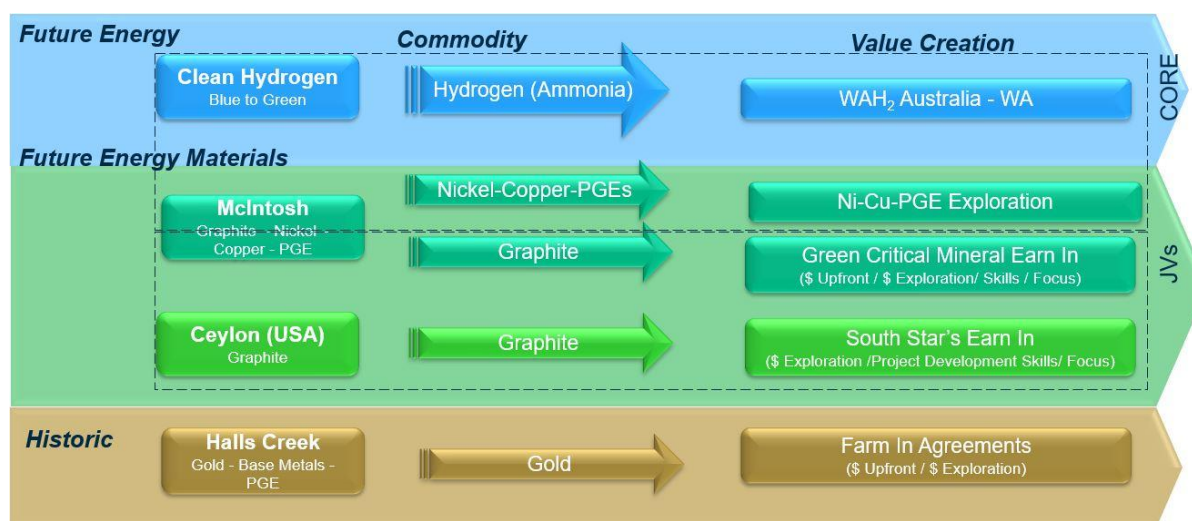


Figure 1 – Hexagon Strategy

Over the reporting period Hexagon's focus was:

Future Energy

- WAH₂

Future Energy Materials

- McIntosh Ni-Cu-PGE
- Graphite – McIntosh and Ceylon (Alabama)

Historic

- Halls Creek Au-Base Metal-PGE

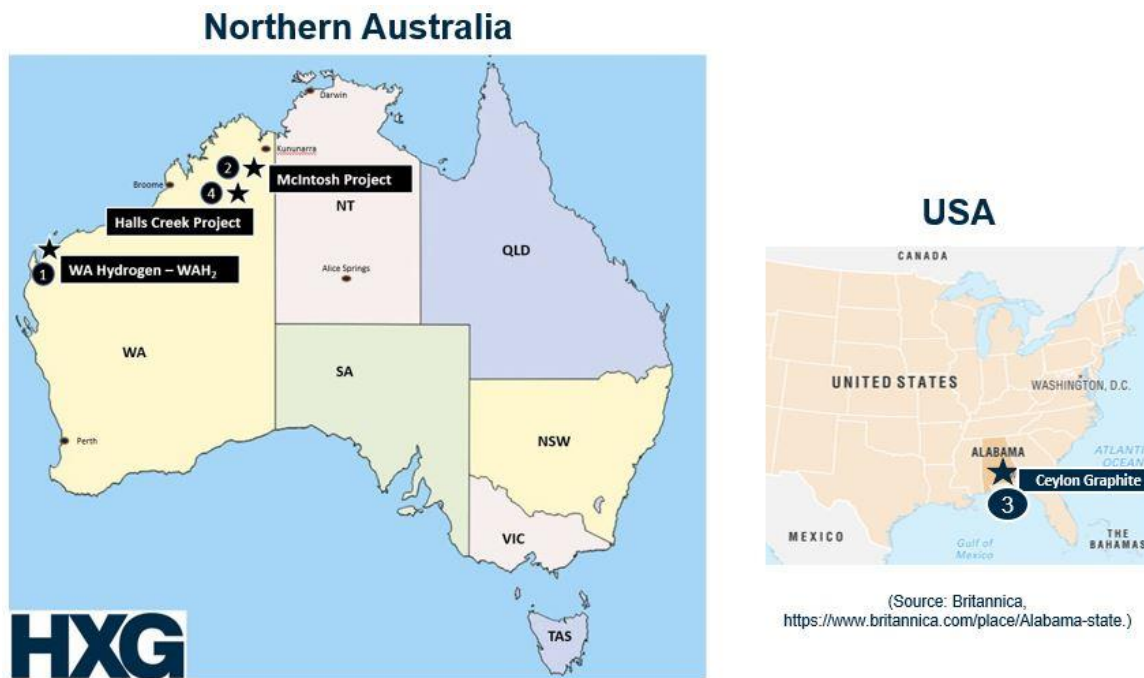


Figure 2 – Hexagon Project Locations

WAH₂ Clean Hydrogen is Hexagon's flagship *Future Energy* project to supply low-emissions 'blue' ammonia to the decarbonizing powerhouse economies of the Asia Pacific, including Japan and South Korea. The development of the global Ammonia (Hydrogen) market is accelerating. In 2022 some 680 large-scale hydrogen project proposals, equivalent to USD 240 billion in direct investment through 2030, have been put forward – an investment increase of 50% since November 2021 (Hydrogen Insights 2022, Hydrogen Council/McKinsey & Company, 2022).

Commercial discussions have progressed focused on the key inputs for the WAH₂ project – gas supply, power supply, CO₂ sequestration, land and infrastructure access.

Hexagon secured the services of dedicated Commercial Advisor Stephen Hall to advance and negotiate the parameters of potential project agreements. During the period Stephen completed a WAH₂ project review and has significantly progressed work on the project Pre-Feasibility Study (PFS) which is due Q2 2023. Leading engineering consultant Petrofac was engaged to undertake engineering analysis.

Hexagon's core *Future Energy Materials* project, the McIntosh project, which is prospective for Nickel-Copper-PGE (Ni-Cu-PGEs) and Graphite, was further explored over the period (HXG ASX Announcements 5 July 2022, 7 November 2022, 22 November 2022, 30 November 2022). The drill program completed in November 2022 tested four high-priority geophysical anomalies. Further EM downhole drill is occurring, and assay results are being reviewed at the time of publication.

In the USA, Hexagon holds an 80 per cent controlling interest of the Ceylon Graphite project located in Alabama, over which South Star Battery Metals Corp (TSXV: STS, OTCQB:STSBF) signed a 75% Earn-In option agreement on 7 December 2021. South Star completed the maiden drilling program during the period and are awaiting the assay results. They plan to produce a 43-101 Maiden Resource Estimate by Q1 of 2023.

Chase Mining Corporation Ltd (CML) completed its Green Critical Minerals Pty Ltd (GCM) acquisition which has the right to acquire up to 80% of the Graphite Mineral Rights **only** for the McIntosh Graphite Project (CML ASC Announcement 18 November 2022, HXG ASX Announcement 14 February 2022). All CPs were met, and Hexagon received a first tranche payment on completion of the capital raise of A\$300,000 (HXG ASX Announcement 24 November 2022).

Hexagon's historic Halls Creek Gold and Base metals project remained a drill target.

4. FINANCIAL REVIEW

For the half-year ended 31 December 2022, the loss for the Consolidated Entity after providing for income tax was \$975,438 (2021: \$13,522,663).

The Consolidated Entity's main expenses were as follows:

	31-Dec-22	31-Dec-21
	\$	\$
Business development	57,975	-
Corporate and administration expenses	288,148	450,811
Exploration and evaluation expenditure	822,521	999,894
Impairment of exploration and evaluation expenditure	60,625	11,893,061
Personnel expenses and director fees	69,048	219,448

5. CORPORATE

Capital Structure

On 30 December 2022, 4,000,000 unlisted options expired without exercise or conversion.

At 31 December 2022 the Company had 512,915,901 ordinary shares on issue.

AGM

On 30 November 2022 the Company held its Annual General Meeting, all resolutions put to the AGM were decided and passed via a poll.

6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the period, the Company's agreement with Green Critical Minerals "GCM" closed, with all CPs being met and the receipt by Hexagon from GCM of \$300,000 as first tranche payment. Green Critical Minerals (through its transaction with Chase Mining "CML") is now funded to meet its spending commitments for exploration and progressing of the graphite potential at McIntosh. Under the terms of the agreement Hexagon is free carried through to decision to mine at McIntosh and for any downstream value-added components of the value chain developed by the transaction GCM/CML.

7. REVIEW OF OPERATIONS

During the period, the Company's focus was *Future Energy* and *Future Energy Materials*.

7.1 WAH₂:

During the period Hexagon's management team leveraged the reports and findings from its historic Pedirka Hydrogen project to conduct a WAH₂ project review and begin the project Pre Feasibility Study (PFS) which is due for completion in Q2 2023.

The WAH₂ PFS will include particular focus the following elements associated with the project:

- *Carbon capture and storage* – Several credible CO₂ sequestration alternatives are being developed proximal to WAH₂. Greenhouse gas assessment permits have been awarded to joint ventures operated by Santos (G-9-AP) and Woodside (G-10-AP), and the Australian Gas Infrastructure Group is investigating the potential to use its wholly owned Tubridgi asset for CO₂ sequestration.
- *Production technology* – The choice of specific hydrogen production technology drives tangible differences in plant costs, power requirements and CO₂ emissions. Steam methane reforming, autothermal reforming and gas heated reforming are all under consideration.
- *Project enhancement opportunities* to include –
 - Optimal technology choice and sizing of Phase 1 of the WAH₂ Project
 - Potential access to multi-user infrastructure including utilities import, product export and CO₂ transmission
 - An optimised power solution.

In parallel to the PFS the team is progressing:

- Commercial discussions regarding gas supply, utilities, CO2 sequestration and ammonia offtake; and
- Securing an Option to Lease from the WA Government over Hexagon's preferred project site.

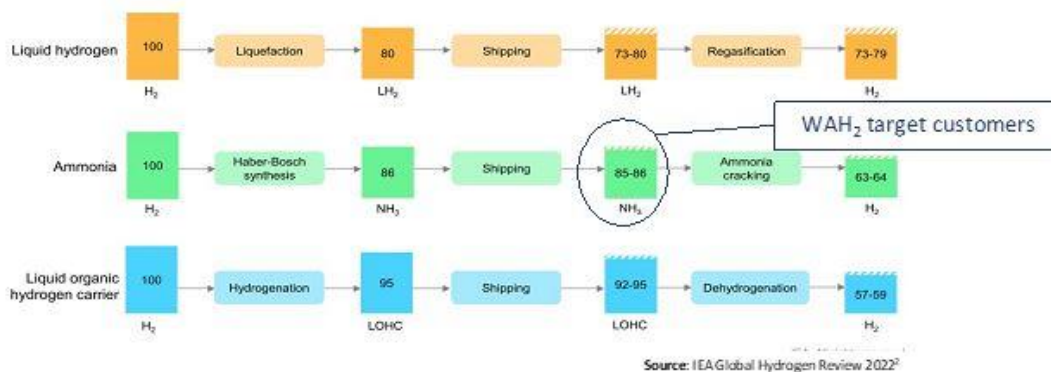
Background to WAH₂ Clean Hydrogen

7.1.1 WAH₂ Methodology

Competitive low-carbon, low-risk hydrogen is proposed to be delivered by using proven technology to reform natural gas feedstock, carbon capture and storage (CCS) in depleted gas reservoirs and harnessing northern Western Australia's renewable energy potential.

7.1.2 WAH₂ Energy Carrier

The produced hydrogen is proposed to be converted to low-carbon ammonia as the most appropriate energy carrier. This offers reduced processing and transportation costs and greater energy-efficiency than the alternatives of liquid hydrogen or liquid organic hydrogen carriers – and aligns with customers' need for ammonia.



Energy available along the conversion and value chain in hydrogen equivalent terms (in 2030)

Figure 3 -

7.1.3 WAH₂ Site Locations

Hexagon has identified its preferred site for WAH₂ and has applied to the WA Government for a long-term lease over the site in the Maitland Strategic Industrial Area (SIA) in North-Western Australia (HXG ASX Announcements 26 July, 31 October & 30 November 2022). The SIA is proximal to services, with established export routes and an existing infrastructure corridor. It is well placed to access key Asian markets such as Japan and South Korea and to provide domestic supply to Australia (HXG ASX Announcements 26 July & 31 October 2022).

7.1.4 WAH₂ Gas Supply

The WAH₂ feed-gas requirement is small in the context of the WA gas market. There are several potential suppliers with access to existing distribution infrastructure and Phase 1 of the project would consumer only ~2 of Western Australia's forecast daily gas supply at the expected time of start-up (Base Case, WA GSOO 2022).

Engineering Studies

Engineering studies were contracted to Petrofac during the period to determine the appropriate choice of Hydrogen production technology, the appropriate production capacity for Phase 1 and Phase 2 of the WAH₂ Project, and the associated capital and operating costs.

Notes to Figure 3: LH₂ = liquefied hydrogen; NH₃ = ammonia; LOHC = liquid organic hydrogen carrier. Numbers show the remaining energy content of hydrogen along the supply chain relative to a starting value of 100, assuming that all energy needs of the steps would be covered by the hydrogen or hydrogen-derived fuel. The Haber-Bosch synthesis process includes energy consumption in the air separation unit. Boil-off losses from shipping are based on a distance of 8 000 km. For LH₂, dashed areas represent energy being recovered by using the boil-off gases as shipping fuel, corresponding to the upper range numbers. For NH₃ and LOHC, the dashed area represents the energy requirements for one-way shipping, which are included in the lower range numbers.

For personal use only

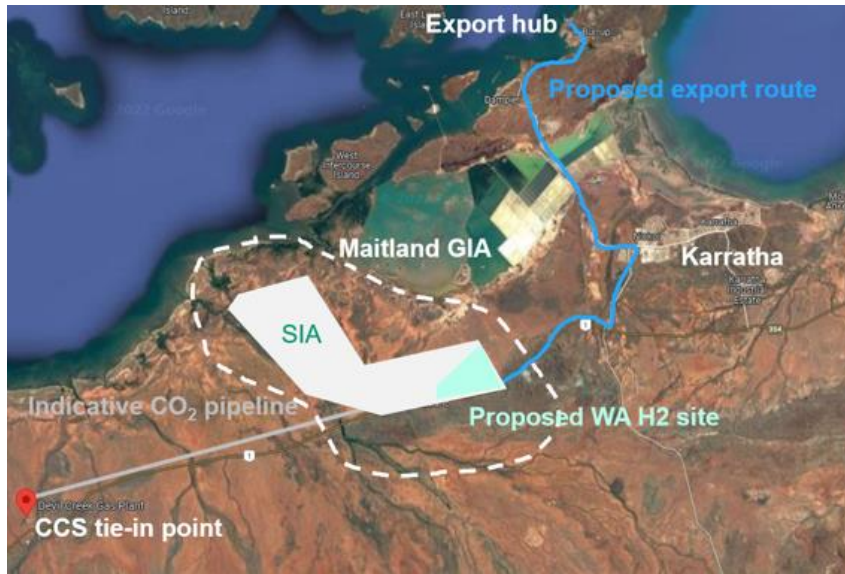


Figure 4 - Preferred location for WAH2 - Maitland Strategic Industrial Area – North-Western Australia

7.2 **McIntosh Ni-Cu-PGEs**



Figure 5 - Location map for Hexagon's McIntosh Project

During the period the first phase of the RC exploration program was completed at Hexagon's McIntosh Ni-Cu-PGE project (Figure 4). Samples from the 823m RC drilling program have been submitted for analysis with assay and soil sample results being reviewed at time of publication. The drill program focused on defined high-priority targets IP Anomaly A & B which were discovered by Hexagon via previous IP surveys over the Greater Mellon Patch area, also Anomaly 22 and Anomaly 9 which were identified in a geophysical review of the project undertaken by the company in 2021 (Figure 5).

For personal use only

IP Anomalies A & B

The Melon Patch intrusion was identified as a priority Ni-Cu-PGE target by Hexagon in 2021 (HXG ASX Announcement 28 June 2021). A Reconnaissance dipole-dipole IP/resistivity surveying of the northern margin of the Melon Patch mafic-ultramafic intrusive complex was completed in 2021 (HXG ASX announcement 11 November 2021). The survey was designed to cover an area of strong Ni-Cu anomalism in soil geochemical sampling and to extend into the country rocks a sufficient distance to cover potential feeder dykes, and structurally remobilised mineralisation.

Anomaly A was a chargeable anomaly defined in this survey. Geological observation from hole 23HXRC004 has noted fine grain disseminated sulphides (<1%) from 44m to EOH within mafic intrusive and assays are currently pending. Hole 26HXRC003 which targeted Anomaly B has been interpreted to be likely associated with the graphite mineralisation. Geological observation from the drilling identified interbedded graphite from 208m to 231m, which is likely producing the identified IP response.

EM Anomaly 22

Anomaly 22 lies within the Melon Patch North prospect, the geological mapping undertaken by Hexagon now has this anomaly situated within a remnant of the potential Panton Sill type intrusive, bound to the north by Tickalara Metamorphics and to the east by the Sally Down Suite (HXG ASX Announcement 28 June 2021). Hexagon has secured funding through the Western Australian Government's Exploration Incentive Scheme to co-fund drilling to test the target. Hole 22HXRC003 has identified graphite mineralisation from 75m to 88m which coincides and is likely producing the interpreted EM response.

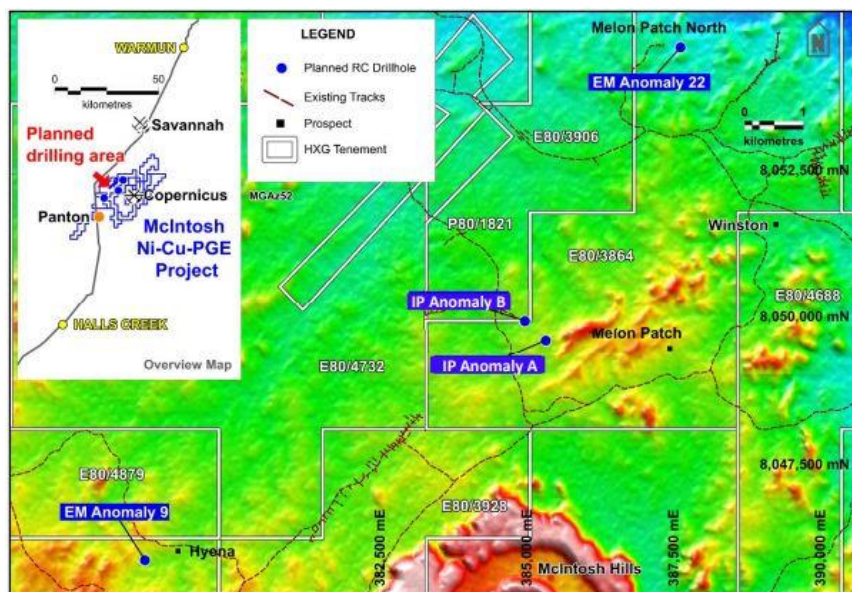


Figure 6 - 2022 RC exploration drilling targets McIntosh

Table 1 - Showing 2022 RC drill hole locations McIntosh

Target	Hole ID	Easting	Northing	Grid	RL (m)	Dip	Azi	Depth (m)	Target Depth (m)
Anomaly 9	22HXRC001	378528	8045938	MGA94_52	434	-70	135	120	80
Anomaly 22	22HXRC002	387632	8054714	MGA94_52	385	-75	255	103	73 90
Anomaly B	22HXRC003	384967	8050072	MGA94_52	406.6	-60	313	300	80 to EOH
Anomaly A	22HXRC004	385349	8049723	MGA94_52	420	-60	313	300	80 to EOH -

Next Steps

Downhole EM surveys are being completed at Anomaly 9 and 22 in Q1 2023 to confirm the current EM interpretation. Regrettably plans to test the Panton Peridotite Target Area, Panton Gabbro Target Area and the Wild Dog Creek (WDC) Gabbro 1 Target Area (See ASX HXG Announcement 7 November 2022) were postponed during the period due to increasing adverse weather conditions in the Kimberley however all approvals are in place, with this drilling planned for the conclusion of the wet season Q1 2023 pending assay and downhole EM drill results. Any additional drill mobilization is in the existing project budget.

7.3 Graphite – McIntosh

The McIntosh Project Graphite assets are a combined total Graphite resource of 23.8 million tonnes, grading 4.5% TGC, with 81% indicated (HXG ASX Announcement 5 April 2019).

The Graphite Mineral Rights Earn-In Agreement with Green Critical Minerals Pty Ltd (GCM) signed in February 2022 (HXG ASX Announcement 14 February 2022) is unlocking value for this project.

The deal is in line with Hexagon management's strategic undertaking to focus on its core projects in Future Energy and Future Energy Materials, whilst forming alliances to realise value creation across all of Hexagon's assets.

- Under the agreement GCM will earn up to 80% of the Graphite mineral rights at Hexagon's McIntosh Project in the East Kimberley of Western Australia – all other mineral rights at McIntosh are retained by Hexagon
- During the period, GCM met the terms to raise capital/funds of not less than \$4,500,000 net cash resulting in payment to Hexagon of \$300,000. A further \$200,000 is payable on the first anniversary of listing)
- \$3,000,000 in exploration expenditure is to be invested by GCM over four (4) years, for 80% of the McIntosh Project Graphite mineral rights to be secured. During the period, GCM announced the appointment of Apex Geoscience to prepare a comprehensive exploration strategy and released findings of initial ground reconnaissance
- 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.

7.4 Graphite – Ceylon (Alabama, USA)

The Ceylon Graphite Project is located on the northeast end of the Alabama Graphite Belt and covers approximately 500 acres in Coosa County, Alabama. The Project is a historic mine active during World Wars I and II.

In July 2019, the Company undertook metallurgical test work on a series of bulk samples excavated from the site which totalled over 100 tonnes. As much as 8.2% of the final concentrate was premium +300 µm jumbo flake. The high concentrate grade and coarse size distribution highlighted good market potential for Ceylon flake-graphite concentrate (HXG ASX announcement 31 January 2020).

During the period, progress was made on the binding Earn-In and Option Agreement signed on the project with South Star Battery Metals Corp (HXG ASX Announcement 7 December 2021). The agreement provides the right for South Star to acquire 75% in the project in return for C\$750,000 in expenditure on the project within agreed deadlines.

South Star have completed a 10-15 holes program and installed a piezo to monitor groundwater levels on site. They initiated the 43-101 Maiden Resource Report due Q1 2023. Metallurgical work was also carried out during the period with three tonnes of ore being turned into RoM concentrate at North Carolina State University. 15kg of RoM concentrates are being tested for a variety of value-add/battery applications.

7.5 Hall Creek – Gold and Base Metals

The Halls Creek region is known for high-grade gold deposits such as those currently being mined by Pantoro at Nicholson's Find Gold Mine. Hexagon's Halls Creek Project involves thirteen granted tenements, spanning approximately 430km², hosting known gold and base metal surface mineralisation.

The Halls Creek Au-Base Metal-PGE targets remain a core asset and strategic project, and while Company resources were not directed to this project during the period, management plans to assess results from nearby McIntosh Ni-Cu-PGE drill assays from the period to efficiently direct activities in Halls Creek in 2023.

8. COMPETENT PERSONS' ATTRIBUTION

Exploration Results

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

Mr Atkinson is a consultant to Company and a member of The Australian Institute of Geoscientists. He has sufficient experience relevant to the styles of mineralisation and types of deposits under consideration and to the activities currently being undertaken to qualify as a Competent Person(s) as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results Mineral Resources and Ore Reserves and he consents to the inclusion of the above information in the form and context in which it appears in this report.

9. SUBSEQUENT EVENTS

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.

10. AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration forms part of the Directors' Report and is attached on page 11.

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



Charles Whitfield
Chairman
14 March 2023

DECLARATION OF INDEPENDENCE BY MELISSA REID TO THE DIRECTORS OF HEXAGON ENERGY MATERIALS LIMITED

As lead auditor for the review of Hexagon Energy Materials Limited for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



Melissa Reid
Director

BDO Audit (WA) Pty Ltd

Perth

14 March 2023

For personal use only

Hexagon Energy Materials Limited
Interim Financial Report
For the half-year ended 31 December 2022



CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

	Note	31-Dec-22	31-Dec-21
		\$	\$
Other income	3	322,879	5,195
Exchange differences on translation of foreign currencies		-	35,356
Business development		(57,975)	-
Corporate and administration expenses		(288,148)	(450,811)
Exploration and evaluation expenditure	4	(822,521)	(999,894)
Impairment of exploration and evaluation expenditure		(60,625)	(11,893,061)
Personnel expenses and director fees		(69,048)	(219,448)
Loss from continuing operations before income tax		(975,438)	(13,522,663)
Income tax expense		-	-
Loss from continuing operations after income tax		(975,438)	(13,522,663)
Total comprehensive loss for the period		(975,438)	(13,522,663)
Loss from continuing operations for the period is attributable to:			
Owners of Hexagon Energy Materials Limited		(975,438)	(13,522,663)
Non-controlling interests		-	-
		(975,438)	(13,522,663)
Total comprehensive loss for the period is attributable to:			
Owners of Hexagon Energy Materials Limited		(975,438)	(13,522,663)
Non-controlling interests		-	-
		(975,438)	(13,522,663)
Loss per share attributable to ordinary equity holders			
- Basic and diluted loss per share		(0.002)	(0.03)

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

Hexagon Energy Materials Limited
Interim Financial Report
For the half-year ended 31 December 2022



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31-Dec-22	30-Jun-22
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		1,374,971	2,398,757
Trade and other receivables		72,830	336,573
Total current assets		1,447,801	2,735,330
Non-current assets			
Trade and other receivables		3,600	3,300
Plant and equipment		10,012	12,120
Exploration and evaluation assets	5	2,851,581	2,658,270
Total non-current assets		2,865,193	2,673,690
Total assets		4,312,994	5,409,020
LIABILITIES			
Current liabilities			
Trade and other payables	6	1,464,475	1,585,063
Provisions		13,050	13,050
Total current liabilities		1,477,525	1,598,113
Total liabilities		1,477,525	1,598,113
Net assets		2,835,469	3,810,907
EQUITY			
Contributed equity		76,276,005	76,276,005
Reserves		-	107,716
Accumulated losses		(73,440,536)	(72,572,814)
Total equity		2,835,469	3,810,907

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

For personal use only

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Contributed Equity \$	Reserves \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2022	76,276,005	107,716	(72,572,814)	3,810,907
Comprehensive income:				
Loss for the period	-	-	(975,438)	(975,438)
Total comprehensive loss for the period	-	-	(975,438)	(975,438)
Transactions with owners in their capacity as owners:				
Net reversal of share-based payments	-	(107,716)	107,716	-
At 31 December 2022	76,276,005	-	(73,440,536)	2,835,469
	Contributed Equity \$	Reserves \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2021	74,507,303	107,716	(58,179,010)	16,436,009
Comprehensive income:				
Loss for the period	-	-	(13,522,663)	(13,522,663)
Total comprehensive loss for the period	-	-	(13,522,663)	(13,522,663)
At 31 December 2021	74,507,303	107,716	(71,701,673)	2,913,346

*The Consolidated Statement of Changes in Equity
should be read in conjunction with the Notes to the Financial Statements*

Hexagon Energy Materials Limited
Interim Financial Report
For the half-year ended 31 December 2022



CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	31-Dec-22	31-Dec-21
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(444,517)	(1,188,166)
Payments for business development		(34,715)	-
Payments for exploration and evaluation expense		(965,103)	(1,646,325)
Receipt of funds in relation to WA Graphite transaction with GCM	3	300,000	-
Receipt of government grant in relation to exploration assets		307,036	-
Interest received		6,824	2,292
Net cash used in operating activities		(830,475)	(2,832,199)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		-	(2,141)
Payments for exploration and evaluation asset		(193,311)	(403,012)
Net cash used in investing activities		(193,311)	(405,153)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment for lease liability		-	(33,218)
Net cash used in financing activities		-	(33,218)
Net decrease in cash and cash equivalents		(1,023,786)	(3,270,570)
Cash and cash equivalents at the beginning of the period		2,398,757	5,051,746
Net foreign exchange differences		-	35,356
Cash and cash equivalents at the end of the period		1,374,971	1,816,532

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

For personal use only

1. CORPORATE INFORMATION

Hexagon Energy Materials Limited (referred to as 'Hexagon' or the 'Company' or 'Parent Entity') is a company domiciled in Australia. The address of the Company's registered office and principal place of business is disclosed in the Corporate Directory of this report. The consolidated financial statements of the Company as at and for the half-year ended 31 December 2022 (the 'Period') comprise the Company and its subsidiaries (together referred to as the 'Consolidated Entity' or the 'Group'). The Group is primarily involved in mineral exploration.

2. BASIS OF PREPARATION

This interim general purpose financial report for the half-year reporting Period ended 31 December 2022 has been prepared in accordance with *AASB 134 Interim Financial Reporting* and the Corporations Act 2001.

The half-year interim financial report of Hexagon Energy Materials Limited was authorised for issue in accordance with a resolution of the Directors on 14 March 2023.

(a) Compliance with IFRS

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

(b) Basis of measurement

The consolidated financial statements have been prepared on a going concern basis on the historical cost basis.

(c) Going Concern

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

For the half year ended 31 December 2022 the Group recorded a loss of \$975,438 and had net cash outflows from operating activities of \$830,475 and had net working capital deficiency of \$29,724. These conditions indicate 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;
- Subsequent to 31 December 2022, the Company lodged its 2022 tax return and is expected to receive its research and development income tax concession of \$766,799.
- 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 and the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

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

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

3. OTHER INCOME

	31-Dec-22	31-Dec-21
	\$	\$
Interest income	6,567	2,292
WA Graphite transaction with GCM	300,000	-
Government drilling co-funding	16,312	-
Other income	-	2,903
	322,879	5,195

4. EXPLORATION AND EVALUATION EXPENSES

	31-Dec-22	31-Dec-21
	\$	\$
Exploration and evaluation expenditure McIntosh	822,521	999,894
	822,521	999,894

5. EXPLORATION AND EVALUATION ASSETS

	31-Dec-22	30-Jun-22
	\$	\$
Carrying amount of exploration and evaluation expenditure	2,851,581	2,658,270
<u>Movement reconciliation</u>		
Balance at the beginning of the period	2,658,270	13,314,152
Exploration expenditure during the period	253,936	1,422,010
Acquired through share consideration	-	30,000
Impairment of exploration and evaluation expenditure	(60,625)	(12,107,892)
Balance at the end of the period	2,851,581	2,658,270

6. TRADE AND OTHER PAYABLES

	31-Dec-22	30-Jun-22
	\$	\$
Trade payables	53,627	197,726
Other payables and accrued expenses	1,410,848	1,387,337
	1,464,475	1,585,063

7. 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 two operating segments, mineral exploration in Australia, 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 Australia	Administration	Total
31-Dec-22	\$	\$	\$
Revenue			
Interest income	-	6,567	6,567
WA Graphite transaction with GCM	300,000	-	300,000
Government drilling co-funding	16,312	-	16,312
Total segment revenue	316,312	6,567	322,879

Reconciliation of segment results to net loss before tax

Amounts not included in segment results but reviewed by the Board

- Business development	-	(57,975)	(57,975)
- Exploration and evaluation expenditure	(822,521)	-	(822,521)
- Impairment of exploration and evaluation expenditure	(60,625)	-	(60,625)
- Corporate and administration expenses	-	(357,196)	(357,196)
Net loss before tax from continuing operations			(975,438)

	Exploration Australia	Administration	Total
31-Dec-21	\$	\$	\$
Revenue			
Interest income	-	2,292	2,292
Other income	-	2,903	2,903
Total segment revenue	-	5,195	5,195

Reconciliation of segment results to net loss before tax

Amounts not included in segment results but reviewed by the Board

- Exploration and evaluation expenditure	(999,894)	-	(999,894)
- Impairment of exploration and evaluation expenditure	(11,893,061)	-	(11,893,061)
- Corporate and administration expenses		(634,903)	(634,903)
Net loss before tax from continuing operations			(13,522,663)

(ii) Segment assets

	Exploration Australia	Administration	Total
	\$	\$	\$
31-Dec-22			
Total segment asset	2,851,581	1,461,413	4,312,994
30-Jun-22			
Total segment asset	2,658,270	2,750,750	5,409,020

(iii) Segment liabilities

	Exploration Australia	Administration	Total
	\$	\$	\$
31-Dec-22			
Total segment liabilities	27,988	1,449,537	1,477,525
30-Jun-22			
Total segment liabilities	109,945	1,488,168	1,598,113

8. RELATED PARTY TRANSACTIONS

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

Transactions with Related Parties

Charles Whitfield - Non-Executive Chairman

Drumrock Capital Ltd, an entity associated with Charles Whitfield, provided consulting services totaling \$42,500 to the Company during the financial period (2021: \$42,500).

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 31 December 2022 of \$195,085.

Garry Plowright - Non-Executive Director

Garry Plowright provided Consulting Services totaling \$7,200 to the Company during the period (2021: nil).

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

NOTES TO FINANCIAL STATEMENTS

9. COMMITMENTS

Future exploration

The Group has certain obligations to expend minimum amounts on exploration in tenement areas. These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Group.

	31-Dec-22	30-Jun-22
	\$	\$
Exploration obligations to be undertaken:		
Payable within one year	1,182,777	1,398,573
Payable between one year and five years	912,877	1,539,721
	2,095,654	2,938,294

The exploration commitments noted above are based on the expiry dates of the Company's current tenements. It does not include exploration commitments on tenements that will be renewed in the future.

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

10. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

11. DIVIDENDS & FRANKING CREDITS

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

12. SUBSEQUENT EVENTS

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.

Hexagon Energy Materials Limited
Interim Financial Report
For the half-year ended 31 December 2022



DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

A handwritten signature in black ink, appearing to read 'C. Whitfield'.

Charles Whitfield
Chairman
14 March 2023

For personal use only

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Hexagon Energy Materials Limited

Report on the Half-Year Financial Report

Conclusion

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

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material uncertainty relating to going concern

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

For personal use only

Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

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

BDO Audit (WA) Pty Ltd

BDO



Melissa Reid
Director

Perth

14 March 2023

For personal use only