HEXAGON
resources limited
High Purity Flake Graphite for New Technologies

ASX ANNOUNCEMENT

8 June 2016

MCINTOSH STAGE 1 PRE-FEASIBILITY STUDY UPDATE

- **Open pit mining optimisation results demonstrate the potential for multiple low strip ratio, open pit operations across a range of production scenarios**
- **Environmental surveys for the mining proposal are well advanced with baseline flora and fauna surveys completed**
- **Hexagon in advanced discussions with key potential end users in the US, Europe and Asia**
- **Drilling program planned to upgrade further resources into the indicated and measured categories in preparation for commencement of mining**
- **Superior metallurgy +99% TC ultra-high purity graphite concentrate can be achieved from conventional crush, grind and flotation without the use of chemicals**
- **Hexagon is well positioned to take advantage of the unprecedented demand from the lithium ion battery market, and the rapidly emerging graphene market, by producing premium quality graphite and graphene**

Hexagon Resources Limited (ASX: HXG) is pleased to announce positive results from the initial stage 1 of the Pre-feasibility Study (PFS) work on its 100% owned McIntosh project in the East Kimberley of Western Australia.

Stage 1 on the McIntosh PFS focussed on mine engineering and open pit optimisation and considered a range of production scenarios. Open pit optimisation across the range of production profiles found McIntosh to be of a size and quality to sustain a large scale, low strip ratio open pit operation. Stage 1 also focused on environmental approvals and logistics, including an assessment of the transport options to the Port of Wyndham and for shipping to markets through the US, Europe and Asia.

"Stage 1 of the PFS has focussed on mine engineering and pit optimisation with results supporting a low strip ratio, large scale open pit operations with a long mine life and having excellent access to infrastructure and port. Detailed bulk scale metallurgical test work has confirmed the ultra-high purity of the McIntosh product with a number of potential offtake partners and end users currently testing the McIntosh product in their particular applications, including graphene. Hexagon's Board has now approved the commencement of Stage 2 of the PFS which will focus primarily on processing along with a detailed assessment of the downstream applications such as production of spherical graphite and graphene" **commented Tony Cormack, Hexagon's CEO / Head of Operations.**

MINE ENGINEERING AND OPEN PIT OPTIMISATION

Stage 1 of the McIntosh PFS focused on the project mine engineering design to determine the parameters under which a future mining operation could be established. Pit optimisations across a range of production scenarios, consistent with the previously announced conceptual study (see ASX:HXG announcement, McIntosh – Significant Added Potential Demonstrated - 23 February 2015) of 1.2Mtpa and 2.4Mtpa throughput have both shown favourable results.

Open pit optimisation work conducted by Hexagon's independent Mine Engineering consultant has shown favourable waste to ore ratio's across the range of potential production profiles.

Stage 1 of the McIntosh PFS also determined that the most cost effective method of transport would be via the deep water Port of Wyndham using the sealed Great Northern Highway and existing all weather haul road running through the McIntosh project area.

Key components:

- Conventional truck and shovel mining methods
- Low average strip ratio for projected life of mine
- Simple processing using proven technology consisting of crushing, grinding, flotation, filtration, drying and bagging
- Further technical studies being conducted to assess the viability of producing spherical graphite and graphene

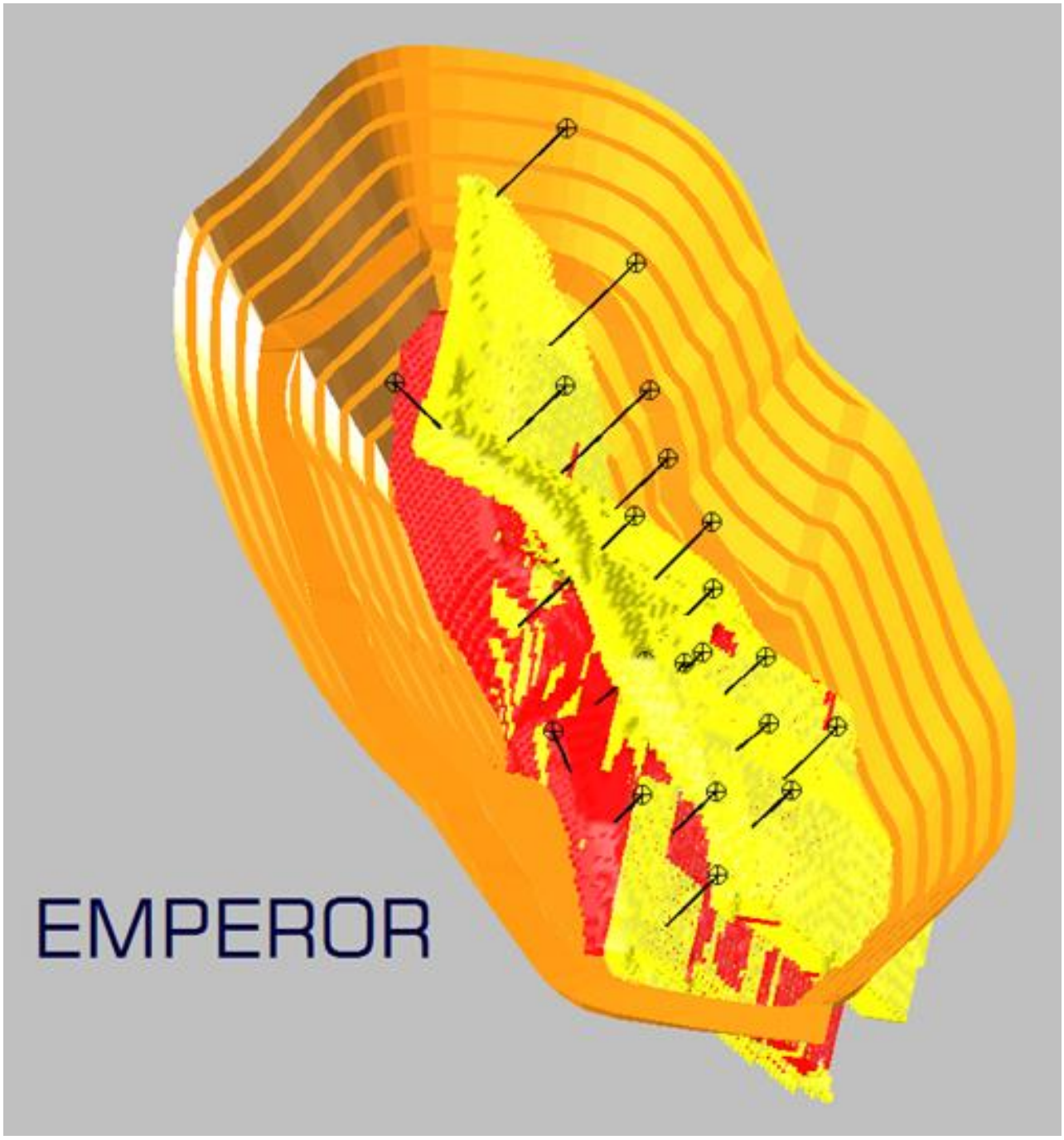

Figure 1: Emperor resource block model 8.4Mt @ 4.6% TGC (red > 4% TGC; yellow < 4% TGC) with drill hole traces and 2.4Mtpa conceptual open pit design

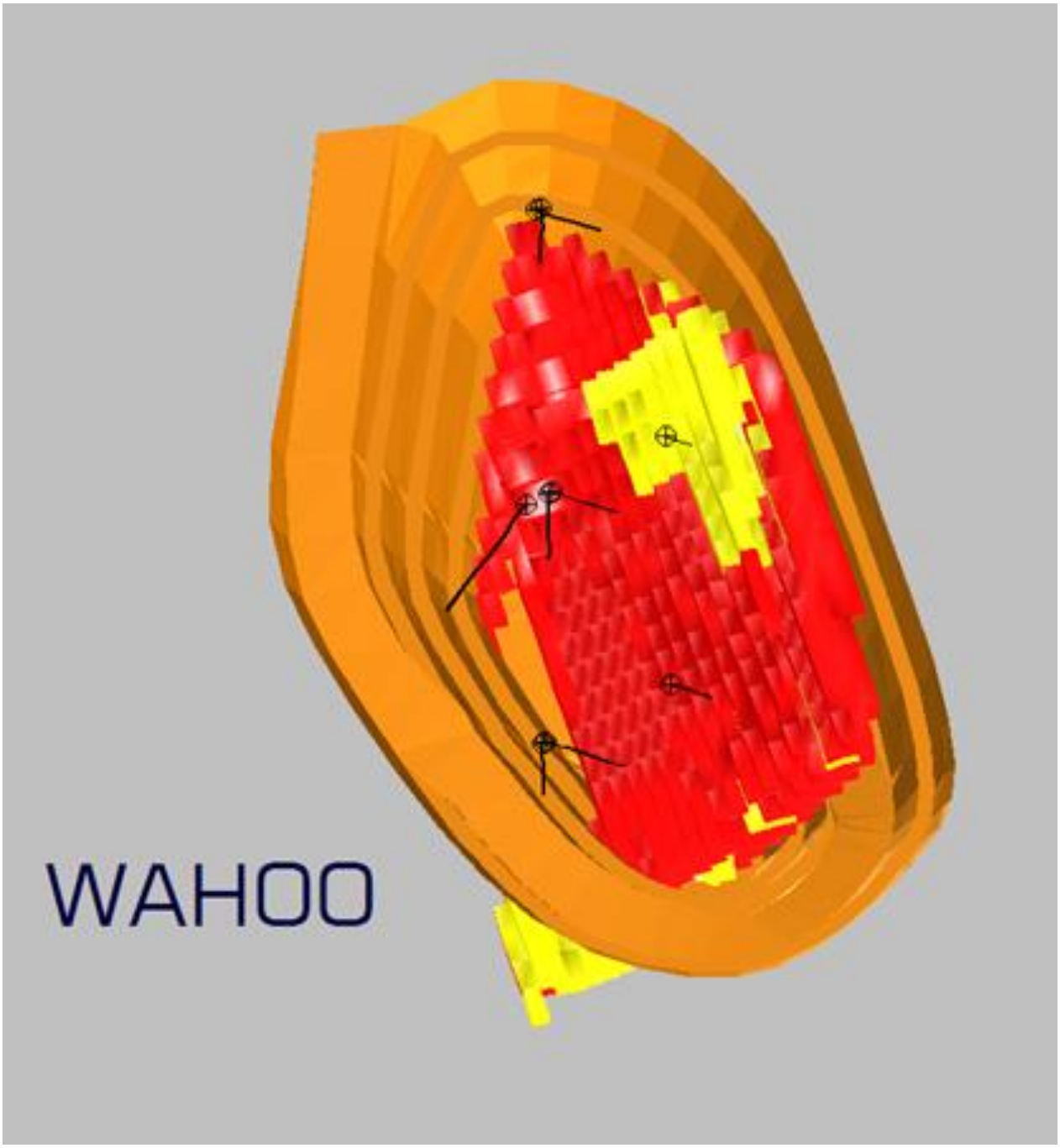

Figure 2: Wahoo resource block model 0.9Mt @ 4.4% TGC (red > 4% TGC; yellow < 4% TGC) with drill hole traces and 2.4Mtpa conceptual open pit design

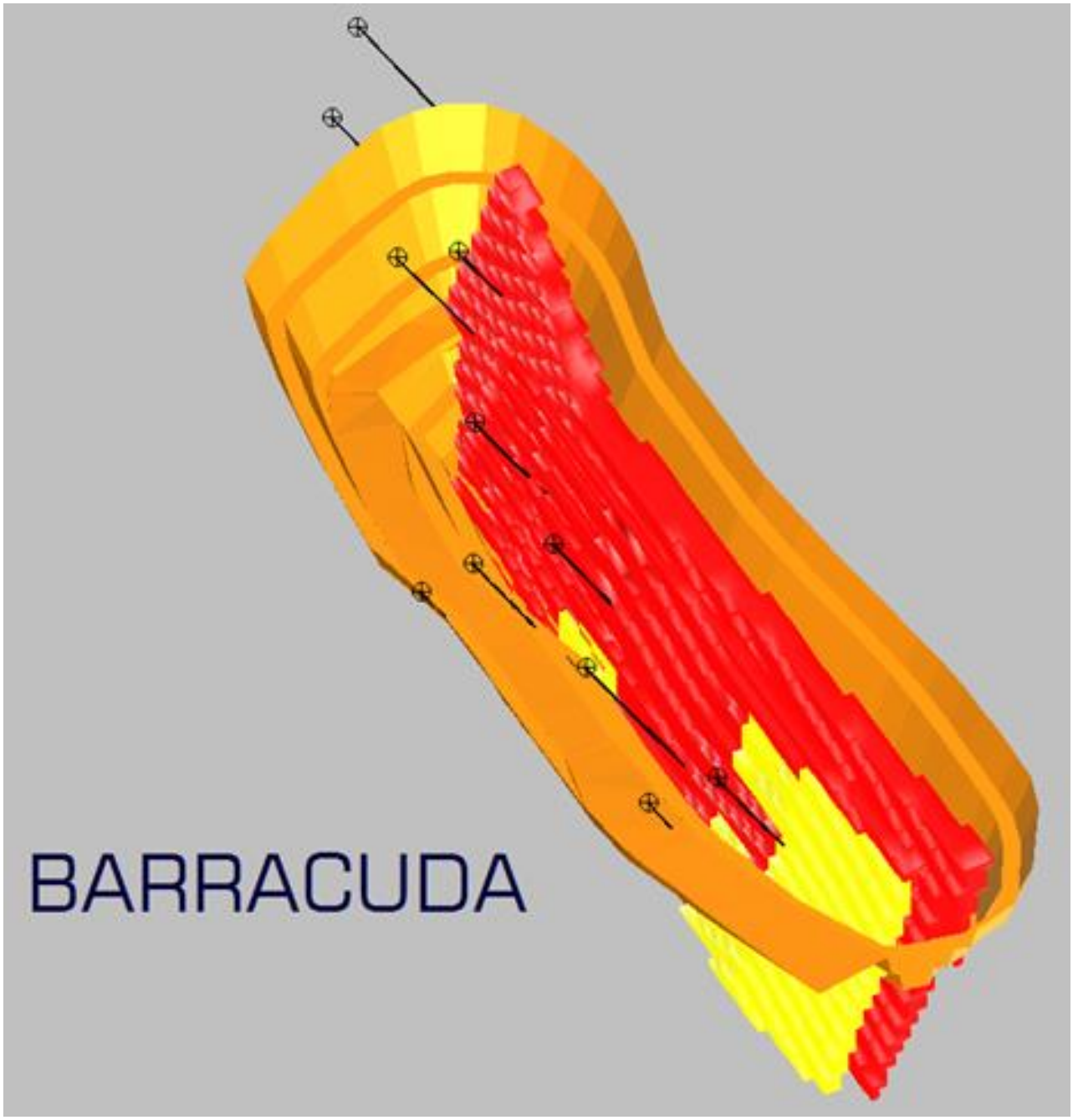

Figure 3: Barracuda resource block model 0.7Mt @ 4.4% TGC (red > 4% TGC; yellow < 4% TGC) with drill hole traces and 2.4Mtpa conceptual open pit design

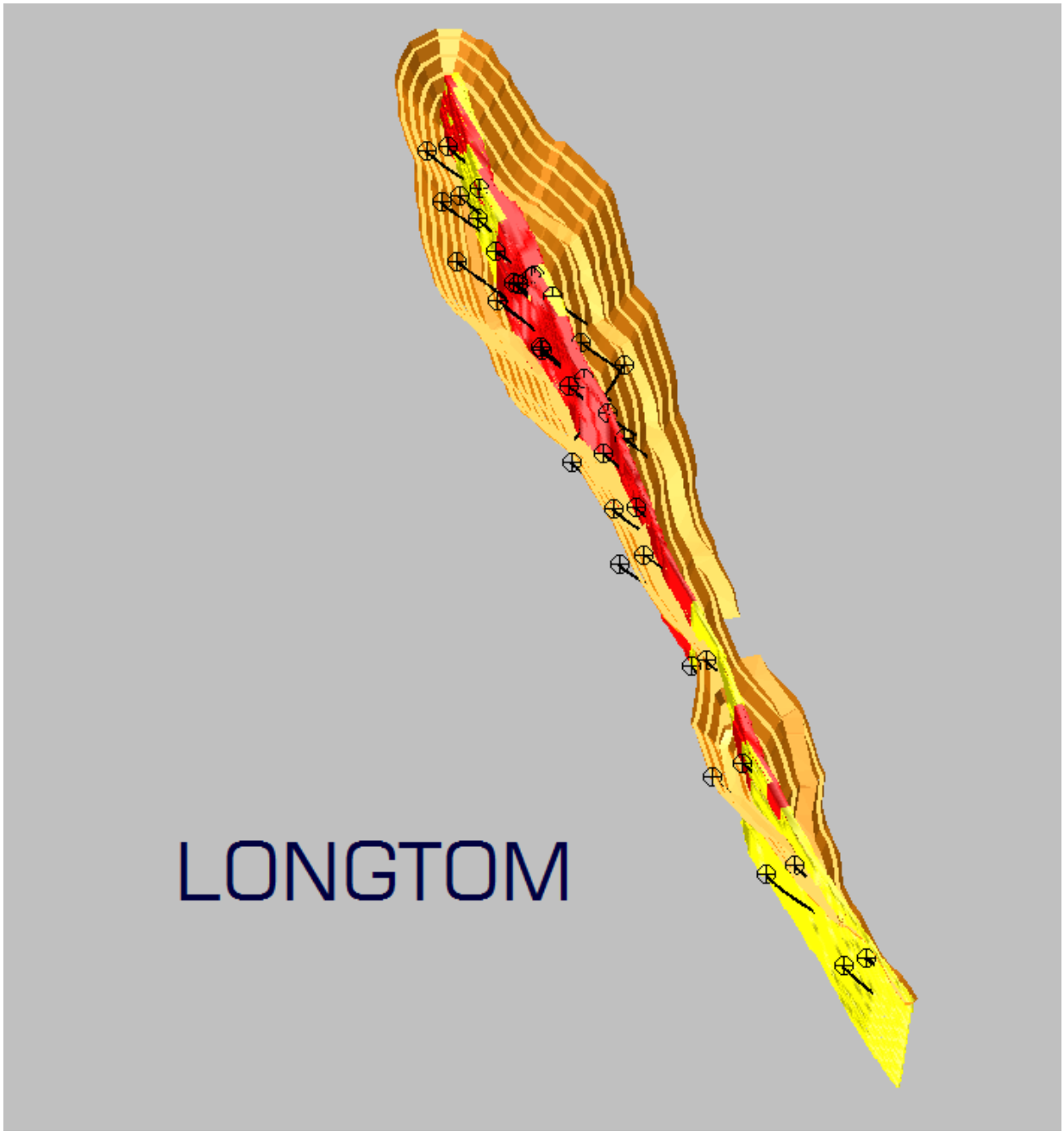

Figure 4: Longtom resource block model 7.1Mt @ 4.7% TGC (red > 4% TGC; yellow < 4% TGC) with drill hole traces and 2.4Mtpa conceptual open pit design

MCINTOSH RESOURCE

The Stage 1 open pit optimisation results are based on the Global Resource Estimate of 17.2Mt @ 4.63% TGC (see Table 1) as announced on the 27 January 2016 (see ASX:HXG announcement, Australia's Largest Flake Graphite Resource).

A total of 7.8 million tonnes at 4.55% TGC, being 45% of the total McIntosh resource, is within the indicated category, representing a high degree of geological confidence allowing for conversion into mineable ore reserves.

Table 1: McIntosh Flake Graphite Project Global Mineral Resource Estimate – 27 January 2016

Deposit	JORC Classification	Material Type	Tonnes (Mt)	TGC (%)	Contained Graphite (Tonnes)
EMPEROR	*Indicated*	*Oxide*	-	-	-
		Primary	*3.4*	*4.32*	*145,250*
	Inferred	*Oxide*	-	-	-
		Primary	*5.1*	*4.79*	*240,900*
	Indicated + Inferred	**Oxide + Primary**	**8.4**	**4.61**	**386,150**
LONGTOM	*Indicated*	*Oxide*	-	-	-
		Primary	*4.5*	*4.71*	*210,350*
	Inferred	*Oxide*	*0.5*	*4.51*	*24,350*
		Primary	*2.1*	*4.84*	*103,000*
	Indicated + Inferred	**Oxide + Primary**	**7.1**	**4.73**	**337,700**
WAHOO	*Inferred*	*Oxide*	*0.1*	*4.16*	*3,550*
		Primary	*0.8*	*4.43*	*37,000*
	Inferred	**Oxide + Primary**	**0.9**	**4.40**	**40,550**
BARRACUDA	*Inferred*	*Oxide*	*0.3*	*4.49*	*11,350*
		Primary	*0.5*	*4.37*	*21,450*
	Inferred	**Oxide + Primary**	**0.7**	**4.41**	**32,800**
Total Resource	**Indicated + Inferred**	**Oxide + Primary**	**17.2**	**4.63**	**797,200**

Notes: 1. Longtom (Target 1) has a 2% TGC lower cut-off grade. Emperor (Target 6), Wahoo (Target 4) and Barracuda (Target 5) have a 3% TGC lower cut-off grade
2. Rounding may result in differences in total and average grades

The mineral Resource classification criteria is based on the drill spacing, diamond core logging, geological mapping and 3 dimensionally modelled VTEM geophysical survey data which together confirm the grade and geological continuity of the graphitic schist mineralisation. All four deposits are hosted in a graphitic schist in a strongly metamorphosed meta-sedimentary sequence with flake graphite at surface.

MCINTOSH GROWTH POTENTIAL

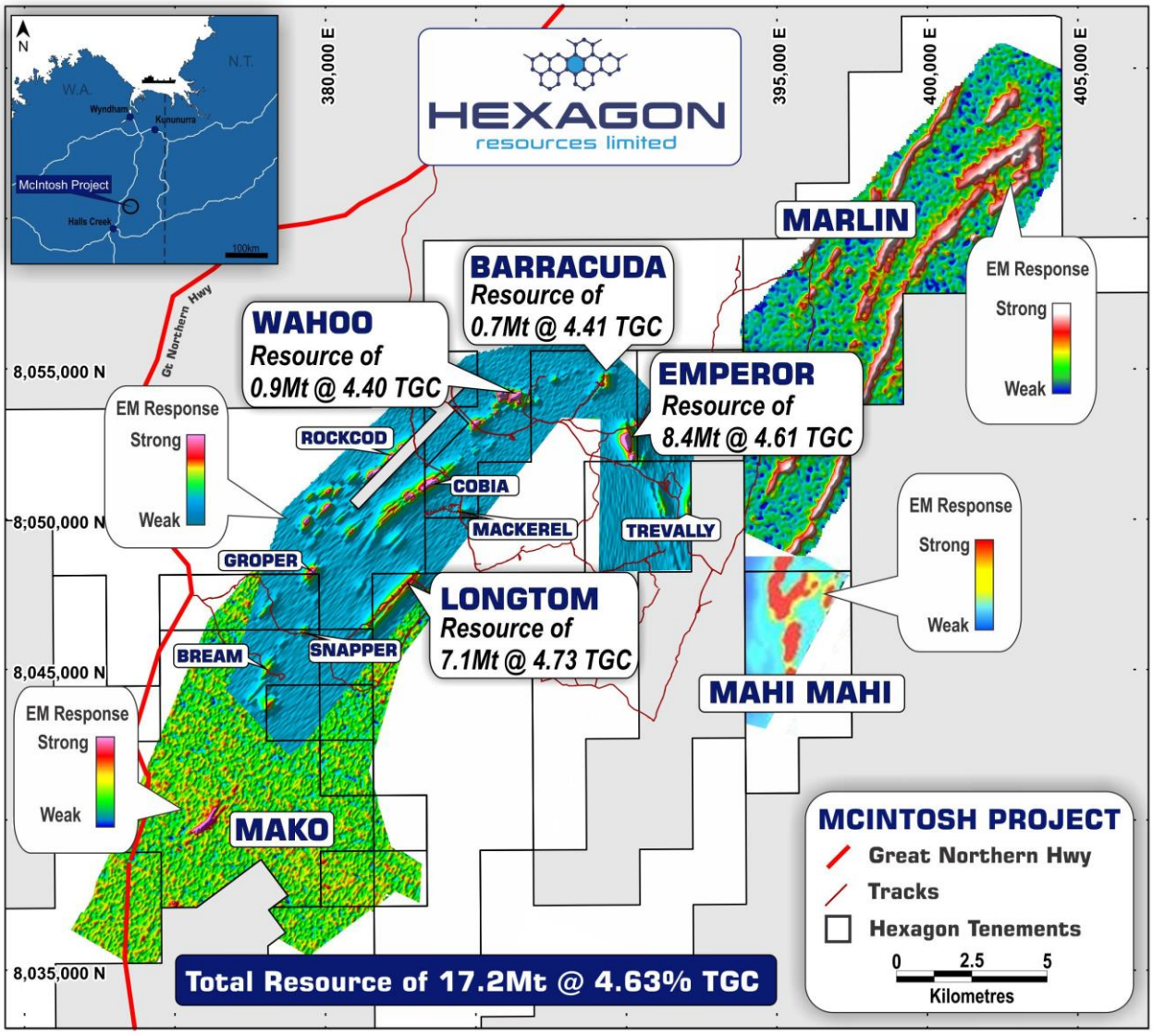

Figure 5: McIntosh Flake Graphite Project – Current resource base of 17.2Mt @ 4.63% TGC with significant potential to expand the resource base further

"The greater McIntosh tenement package contains significant electromagnetic anomalies confirmed to be associated with the presence of flake graphite, of particular significance are the Marlin, Mahi Mahi and Mako prospects (see Figure 5). These exciting prospects, along with the significant potential identified at Cobia, Rockcod and Groper has the company well positioned to become a significant, long term producer of high quality / high purity flake graphite" commented Hexagon's CEO / Head of Operations, Tony Cormack.

ENVIRONMENTAL APPROVALS

Stage 1 of the PFS also focussed on the environmental requirements necessary for the Department of Mines and Petroleum mining proposal submission. Hexagon's environmental consultants have completed:

- Desktop review of previous flora and fauna surveys
- Database search and review of identified flora and fauna
- Level 2 Flora and Vegetation Survey (dry season)
- Level 2 Flora and Vegetation Survey (wet season)
- Vertebrate & Invertebrate Fauna Dry Season Survey (dry season)
- Level 2 Vertebrate Fauna Survey
- Short Range Endemic Invertebrate Fauna Survey

TRANSPORT / LOGISTICS

The McIntosh Project is located on an existing haul road and is approximately 20 kilometres from the sealed Great Northern Highway. The deep water Port of Wyndham is located approximately 240 kilometres to the north of the project area having excellent ship loading infrastructure, numerous bulk storage options along with sufficient capacity to accommodate any production profile from the McIntosh project.

Figure 5: Aerial view of the deep water Port of Wyndham, located approximately 240km north of the McIntosh project area

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Further information:

Tony Cormack
CEO / Head of Operations
tonyc@hexagonresources.com
0427 349 451

Ken Banks
Investor Relations
kenb@hexagonresources.com
0402 079 999

Competent Persons Statement

The information in this report relating to Exploration Target Estimates, Exploration Results, Geological Data and Mineral Resources at the McIntosh Project is based on information previously compiled and / or reviewed by Mr. Tony Cormack, Member of the Australasian Institute of Mining and Metallurgy and a full-time employee of Hexagon Resources Limited. Mr. Cormack has sufficient experience which is relevant to the activity being undertaken to qualify as a Competent Person as defined in the 2012 edition of the 'Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Cormack consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Forward Looking Statement

The information in this report may contain forward-looking statements regarding the potential of the Company's revenues, projects, interests and the development potential of the Company's business. Any statement describing a goal, expectation, intention or belief of the Company is a forward-looking statement and should be considered an at-risk statement. Given these risks, readers are cautioned not to rely on forward-looking statements. Actual results could differ materially from those anticipated in these forward-looking statements due to many important factors, risks and uncertainties including, without limitation, risk associated with product sales, development and manufacture, risks inherent in the business, future capital needs, general economic uncertainty and other risks detailed from time to time in the Company's announcements to the ASX.