



ASX ANNOUNCEMENT

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Hexagon Signs MoU for 30% Offtake and Stage 1 Project Finance

Hexagon Resources Limited (**HXG** or the **Company**) has signed a non-binding Memorandum of Understanding (**MoU**) with China National Building Materials - General Technology Co. Ltd (**CNBM-GT**) of China to purchase 30% of planned primary production from Hexagon's McIntosh Graphite project located in Western Australia.

In addition, the parties have agreed to negotiate project finance, pre-payment and other debt facilities to expedite project construction.

This is the first step of the Company's strategy to secure off-take agreements which requires first entering into a non-binding MoU. This is typical for technical minerals which have a significant pre-qualification process given the high-tech end uses and for a project not in production. This agreement, which is detailed further below, maps out each party's objectives in a commercial and technical framework and is subject to mutually satisfactory test work outcomes.

Hexagon is very pleased to be partnering with CNBM-GT in China, given the large scale and diverse network of its business as part of one of the world's largest building materials companies with reach into other sectors such as technology.

Hexagon's Managing Director, Mr Mike Rosenstreich commented: "Hexagon plans for this to be the first of a series of collaborative agreements with a geographically widespread and diverse group of end-users with significant presence in the graphite market.

"Recent test work reports have stimulated a considerable increasing interest in the McIntosh project from off-takers, financiers and investors. A number of factors are driving customers to cement strategic tie-ups, including increasing demand, sovereign risk issues, and heightened concerns about security and reliability of supply, especially for high quality material.

"This MoU is an important step towards a binding contract because each party will invest significant time and resources to achieve a mutually beneficial long-term off-take agreement.

"A major advance is in the improvement of our product specification since the completion of the Pre-Feasibility Study in May 2017. Whilst pricing is and will remain confidential, we are confident of exceeding our recently updated basket price of US\$2,200/t of concentrate, subject to attaining our concentrate purity objectives."

Non-Binding MoU Summary

Concentrate Off-Take Rights

- CNBM-GT and HXG agree to commence negotiations in good faith for CNBM-GT to have the right to purchase up to 29,500 tonnes of various graphite concentrate products per annum to be produced at McIntosh. The graphite concentrate will be sold as follows at specified grades:
 - ✓ 500 tonnes of Super Jumbo (>425 µm sized) flake concentrate;
 - ✓ 4,000 tonnes of Jumbo (300 - 425µm sized) flake concentrate;
 - ✓ 20,000 tonnes of large (250-300 µm sized) expandable flake graphite; and
 - ✓ 5,000 tonnes small to medium flake concentrate (75~150µm and 200~100 mesh).



- The quality specifications of the concentrate, shipment and delivery terms, the concentrate pricing mechanism, market reference prices, floor price and payment terms are confidential but will be negotiated as the qualifying test work progresses.
- The parties agree to explore the potential for the provision by CNBM-GT to Hexagon of project finance, an off take pre-payment facility or similar financial arrangement to ensure the construction of the project.

Metallurgical Test Work

- CNBM-GT and HXG agree to collaborate on the technical and economic viability of enhancing the flake concentrate quality with the objective of producing a premium expandable graphite and spherical graphite product from McIntosh graphite suitable for commercial markets.

Background

CNBM-GT is a subsidiary of China National Building Material Co., Ltd (“CNBM”). CNBM is one of the world’s largest building material companies and has recently further diversified into advanced materials, including downstream graphite processing industries through CNBM-GT. It has expert technical capabilities with respect to test work and downstream processing. CNBM-GT is also focussed on project financing, factoring and insurance to facilitate project developments.

Hexagon is progressing its feasibility study on the Stage 1 development of its 100% owned McIntosh graphite project located in the East Kimberley of Western Australia, Australia. Key recent developments to advance the McIntosh project include the identification of large flake endowment, a portion of the larger flake which is highly expandable and critically, the clean nature of the ore and resultant concentrates making them low cost and technically easy to purify to an “ultra-premium” “Five-Nines” (99.999 wt%C) standard. These attributes, as well as the security and reliability aspects around the Australian source of the product, are creating increased interest in the Project and emerging as key distinguishing features compared to many other graphite development companies around the world.

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