HEXAGON resources limited
High Purity Flake Graphite for New Technologies

ASX ANNOUNCEMENT **27 March, 2018**

STAGE 1 McINTOSH GRAPHITE DEVELOPMENT NOW FULLY FUNDED

HIGHLIGHTS

- **McIntosh Stage 1 feasibility and development funding de-risked.**
- **ASX listed Mineral Resources Limited earn a 51% interest in the McIntosh Project tenements by exploration and development.**
- **Mineral Resources Limited to complete feasibility study and all Stage 1 development to commercial production and operate Stage 1 project through a life of mine Mining Services Agreement.**
- **3-year timeline for commercial production.**
- **Marketing rights to be shared equally through a special purpose company.**
- **Hexagon to focus on downstream processing of graphite flake concentrates and examining opportunities to diversify into other specialty materials projects.**

Hexagon Resources Limited (**Hexagon** or the **Company**, (ASX:HXG)) is pleased to announce that it has signed a binding Heads of Agreement (**HoA**) with Mineral Resources Limited (**MinRes** (ASX:MIN)) covering the development of Stage 1 of the McIntosh Graphite Project (**Project**).

Under the agreement, Hexagon and MinRes will establish an unincorporated joint venture, with Hexagon and MinRes respectively holding a 49% and 51% participating interest.

From the date that Hexagon shareholders approve the transaction, MinRes will be solely responsible to:

- undertake all feasibility studies within 18 months;
- make a decision to mine within 24 months; and
- target completion of project development activities and commercial production of graphite concentrate within 36 months.

MinRes will build, own and operate the entire pit to customer mining, processing and logistics supply chain under a life of mine, mining services agreement. A special purpose company jointly owned 50:50 will act as Marketing Agent for all Stage 1 graphite concentrate products.

Hexagon Managing Director, Michael Rosenstreich stated: “Mineral Resources is a very credible partner to work with us to bring the Stage 1 graphite project into production. Their technical skills, Western Australian experience and financial capacity significantly de-risks the project and provides certainty to Hexagon and our investors.”

"Subject to a favourable feasibility study, Hexagon now has a clear line of sight toward product sales and cash flow, which will be funded by MinRes to commercial production under its proven build own operate model. The McIntosh Project is now effectively funded through to development via a project-level joint venture which conserves the Company's capital structure and importantly in terms of future business growth enables the Hexagon team to focus on the downstream, Stage 2 processing options and new project opportunities."

Hexagon Chairman Charles Whitfield commented "We made an undertaking to shareholders to assess and pursue financing alternatives to take the McIntosh deposit into production and are delighted to be able to bring this deal to shareholders as we believe it answers both financing and de-risking of the construction and commissioning of the primary graphite business.

Chris Ellison, Managing Director of Mineral Resources commented: "We are pleased to be involved in the McIntosh Project with Hexagon. Mineral Resources is very focused on battery minerals as we are of the view that they have a 50 year plus horizon as the world transitions away from traditional fossil fuel and combustion engine derived energy to a range of clean, sustainable energy sources."

"This transaction is consistent with our strategy of partnering up with like-minded companies with long life, high quality resource projects who share our vision of a future involving renewable energy."

The key terms of the binding HoA for the Earn-in Joint venture are set out below.

Hexagon plans to seek shareholder approval to proceed with the transaction as quickly as possible. While this is not an ASX requirement, the Board of Directors has taken the decision that given the McIntosh project comprises the Company's main asset, clear and decisive shareholder support is important to ratify a transformational transaction of this nature.

About Mineral Resources Limited

Mineral Resources Limited (MRL) is a leading Australian based mining services and processing company, with decades of experience in the mining services sector. MRL and its subsidiary companies offer a wide range of mine services, contract crushing, infrastructure services and recovery of a variety of metal concentrates for export. MRL has built its business on innovation, leading to high efficiency, lower costs and increased breadth of operations.

About Hexagon Resources Limited

Hexagon Resources Limited (Hexagon) is an Australian based advanced materials development company focusing on the delivery of exceptional high purity and highly crystalline flake graphite for use in both new technologies and to displace synthetic graphite from traditional, larger scale markets. The primary focus for Hexagon is the development of the McIntosh Flake Graphite Project in the East Kimberley, Western Australia.

Further information, please contact:

Mike Rosenstreich
Managing Director
Hexagon Resources Limited
info@hexagonresources.com
+61 8 6244 0349

David Ikin
Senior Account Director
Professional Public Relations
David.ikin@ppr.com.au
+ 61 408 438 77

Summary Terms of Binding Heads of Agreement

Parties	**Hexagon Resources Limited**, and its wholly owned subsidiary McIntosh Resources Pty Ltd (owner of the McIntosh Project) (**Hexagon**). **Mineral Resources Limited** (and a wholly owned subsidiary) (**MRL**).
Condition Precedent	Hexagon shareholder approval, to be satisfied (or waived by Hexagon) within 60 days of the 27 March, 2018 otherwise any party may terminate the HOA.
Farm-in	Hexagon will transfer to MRL a 51% legal interest in the McIntosh Project assets including the tenements once MRL has expended $300,000 on the exploration or development of the McIntosh Project tenements.
Commercial Production	The unincorporated joint venture will engage MRL as the mining services contractor under a life of mine, mining services agreement pursuant to which MRL will fund and use best endeavours to achieve production of the first two shipments or the first 16,667 tonnes (two months equivalent at a run rate of 100ktpa) of flake graphite concentrate from the McIntosh Project (**Commercial Production**) within 36 months of Hexagon shareholder approval. MRL must propose and approve programmes and budgets for the joint venture which are consistent with achieving this objective. Prior to Commercial Production, MRL will achieve two separate milestones, as follows: i) **Project Readiness**: MRL must within 18 months of Hexagon shareholder approval complete a Feasibility Study (JORC) and all mine planning work, and obtain all approvals for mining and construction to commence (**Project Readiness**). ii) **Commence Development**: MRL must within 6 months of achieving Project Readiness mobilise to site and commence a level of activities which is consistent with an intention to develop the McIntosh Project to Commercial Production within 36 months of Hexagon shareholder approval. Each of the above deadlines may be extended if MRL's activities are affected by events or circumstances outside MRL's control, if there is a material change to the nature or scale of planned operations or if after Project Readiness is achieved the McIntosh Project ceases to be commercially viable. The McIntosh Project will only be considered to not be commercially viable if there is no reasonable basis to conclude that the McIntosh Project can be operated on a cash-flow positive basis within a reasonable period after Commercial Production. If MRL elects not proceed with the Project and does not achieve these two milestones then it will transfer its interest back to Hexagon.

Joint Venture	The activities of Hexagon and MRL will be conducted through an unincorporated joint venture on industry standard terms for a joint venture of this nature. MRL will be the manager of the joint venture, subject to oversight by a management committee. Voting on the management committee will be in proportion to Hexagon's and MRL's respective percentage shares in the joint venture. Decision will be made by simple majority vote subject to certain unanimous decisions (including budgets and business plans (and variations)). An overriding principle of the joint venture will be for Hexagon and MRL to make decisions and act in good faith based on the concept of "best for Project" in terms of return on equity whilst maintaining policies on sustainability issues such as environmental management, OH&S, community and heritage issues and human resources that are in accordance with Western Australian mining industry standard practice.
Mining Services	All mining, processing and associated services to exploit the McIntosh Project for life of mine will be conducted by a subsidiary of MRL. A combination of commercially competitive fixed and variable fees will be payable. Fees will be agreed following completion of the Feasibility Study and will be subject to an independent benchmarking process at Hexagon's discretion. Following Commercial Production, Hexagon will repay its proportionate share (49%) of the costs actually incurred by MRL on capital expenditure items for the McIntosh Project, capped at $3.92 million. Such amounts will only be repaid from cash flow realised from the sale of graphite flake product from the McIntosh Project.
Product Marketing	The flake graphite product produced from the McIntosh Project will be marketed by an Australian company jointly owned by MRL and Hexagon in equal shares for a fee to be agreed.
Formal Documents	The HOA is binding and will be replaced by a Farm-In and Joint Venture Agreement, a Mining Services Agreement and a Product Marketing Agreement each of which will be on standard industry terms. The parties intend to execute the Farm-In and Joint Venture Agreement within 60 days of Hexagon shareholder approval and to agree the non-commercial terms of the Mining Services Agreement and the Product Marketing Agreement within 90 days of that approval. The Mining Services Agreement is to be executed within 60 days of Project Readiness.