ASX ANNOUNCEMENT **12 June 2019**

OPEN BRIEFING INTERVIEW

Hexagon Resources Limited's (**ASX**: **HXG**, Hexagon or the Company) Chairman, Charles Whitfield, and Managing Director, Mike Rosenstreich, have completed an interview with Open Briefing®.

A record of the interview follows.

Hexagon Resources Limited

Rowan Caren
Company Secretary

1 COMPETENT PERSONS' ATTRIBUTIONS

Exploration Results and Mineral Resource Estimates

The information within this report that relates to exploration results, Exploration Target estimates, geological data and Mineral Resources is based on information compiled by Mr Mike Rosenstreich and is subject to the individual consents and attributions provided in the original ASX reports referred to in the text of this report. Mr Rosenstreich is an employee of the Company and is a Fellow of The Australasian Institute of Mining and Metallurgy. 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 this information in the form and context in which it appears in this report.

Metallurgical Test Work Outcomes

The information within this report that relates to metallurgical test work outcomes and processing of the McIntosh material is based on information provided by a series of independent laboratories. Mr Rosenstreich (referred to above) managed and compiled the test work outcomes reported in this announcement. A highly qualified and experienced researcher at NAmLab planned, supervised and interpreted the results of the test work. Mr Michael Chan also reviewed the metallurgical test work outcomes. Mr Chan is a Metallurgical Engineer and a Member of the Australasian Institute of Mining and Metallurgy. Mr Chan and the NAmLab principals have sufficient experience relevant to the style of mineralisation and types of testwork 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 have consented to the inclusion of this information in the form and context in which it appears in this report.

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Scoping Study

The Scoping Study was announced on 17 May 2019. Hexagon Resources Limited confirms that it is not aware of any new information or data that materially affects the Scoping Study information included in the market announcement dated 17 May 2019 and, in the case of the Scoping Study, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

Mineral Resource

The Mineral Resource Estimate of 23.8 Mt at 4.5% TGC reported in accordance with the JORC Code 2012 Edition was announced on 5 April 2019. Hexagon Resources Limited confirms that it is not aware of any new information or data that materially affects the Mineral Resource information included in the market announcement dated 5 April 2019 and, in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. A 3% TGC cut-off has been used for the 23.8 Mt Indicated and Inferred Resources.

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ASX Announcement : June 12, 2019

Interview with Hexagon Resources Managing Director, Mike Rosenstreich and Chairman, Charles Whitfield

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Hexagon's Managing Director Mike Rosenstreich and Chairman Charles Whitfield discuss the Company's recent activities and strategic plans with Open Briefing (**OB**).

[OB]: ***Can you give us a quick overview of Hexagon Resources for those who need a refresh on your story?***

[Charles]: Hexagon Resources is a graphite development company aiming to become a vertically integrated graphite business supplying high-specification graphite materials to energy storage, sophisticated technology and high-end industrial uses.

We are developing the McIntosh flake graphite project in northern WA in conjunction with joint venture partner Mineral Resources Limited (ASX: MIN). Mineral Resources is earning 51% of the project through funding it to commercial production subject to a positive Feasibility Study. The Feasibility Study is assessing the viability of producing graphite concentrates from McIntosh and (as per the joint venture agreement) is due for completion in November 2019. That is the first of several milestones, which culminate in the requirement from MinRes to achieve commercial production at McIntosh by May 2021.

Meanwhile, we are parallel tracking a downstream processing strategy as we have tested the suitability of McIntosh flake graphite for a diverse range of premium end-use applications and we have been exploring how we could use this processing technology on other feedstock sources as well. Hexagon recently completed a very positive downstream Scoping Study to examine the viability of establishing a Graphite Purification and Processing Plant (GPPP).

[OB]: ***Following on from that last comment regarding the Downstream Scoping Study can you please run us through the key points of the downstream strategy and the reason for this change in direction?***

[Mike]: Yes, as Charles just mentioned, we released the downstream Scoping Study on 17 May. This is the first time that we have examined financial outcomes and margins of our potential downstream business.

It is a rough first cut "map" if you like, highlighting certain opportunities and risks on a commercialisation path. The Scoping Study outlined high operating margins of about 50%, and a strong internal rate of return, for example on a pre-tax basis it is 41% to 60% and this would support an NPV of A$0.9bn to A$1.2bn.

The "shallow-water zones" or risk areas highlighted on that "map" revolve around funding, particularly the initial Qualification Phase of c. A$25M and then the first commercial scale plant cost of c. A$118M to A$135M.

This first outline enables us to recognise a very exciting business opportunity, and also plan for the challenges in executing it.

It is important to recognise that, in terms of the broader strategy, scoping the downstream potential is not a "change in direction". Since getting involved with Hexagon, we have always discussed downstream processing as a way of the company capturing additional value and optimising the potential of the resources. Initially, the Company's downstream plans focussed around battery materials, but we have expanded this considerably in the last 18 months based on a wide range of test work allowing us to understand the technical potential and highlighting diverse end use markets, with potentially higher margins than just "battery anode material".

[OB]: ***Hexagon is obviously focused on the battery materials sector, but I also note test work in making diamonds and synthetic graphite, can you explain the marketing strategy please?***

[Mike]: We have a diverse range of products planned which fall into several broad industry segments:

- *Expandable graphite precursor* – this is refined larger flake. Making expanded graphite and then products out of that, whilst high-value, would be too much technical and market development work given the other start-up activities. Maybe later.
- *Industrial Segment* – mainly finer grained, conductivity enhancement materials – used in batteries but also applications like Electrodes for electric arc furnaces. We are not looking to make synthetic graphite. We are looking to substitute our refined natural flake for small percentages of synthetic graphite to enhance the electrical properties of those applications. Your right – we had some very encouraging test work and market analysis on the opportunities to make synthetic diamonds; initially precursor material, but perhaps also technical grade and maybe gemstone quality diamonds in time. It is high value with low capex.
- *Battery applications* – includes making spherical graphite and conductivity enhancement materials, but for higher-end battery applications.

Whilst energy storage and EV's is topical, we don't want to be focused solely on the lithium-ion battery anode market because it is price driven and totally dominated by China -there are better margins in other segments.

[OB]: ***Why have you framed the Scoping Study on a standalone basis rather than tying it in with the McIntosh development?***

[Mike]: The downstream aspect is presented as a standalone business using a premium feedstock price of US$1,504/t because we wanted to take a conservative approach to understand fully what this business might look like including possible pinch-points such as sourcing feedstock.
Regarding McIntosh, whilst we consider vertical integration to be a strength, we have learned that some potential customers prefer to see a more diversified feedstock supply. Indeed – it is interesting to note that most of the non-Chinese graphite processors do not own mines. Therefore, for this study, to really understand our opportunities and risks the Graphite Purification & Processing Plant is separate from any other upstream assets we have such as our 49% interest in the McIntosh Project – though obviously we would like that to become a cornerstone supply source.
Also, we have to abide by the strict ASX, JORC Code and ASIC rules on reporting the results from scoping and prefeasibility studies. Indeed, the Cautionary Statement we set out on pages 2 and 3 of the 17 May ASX report is an ASX requirement and based on their template.

[OB]: ***What is the basis of the US$1,504/t price referred to in the Scoping Study, it seems quite high compared to price commentaries of graphite concentrates or indeed, what certain producers would appear to be getting, i.e. between US$500 to $1,200/tonne?***

[Charles]: US$1,504 per tonne of graphite concentrate is our internal basket price assessment for McIntosh Flake concentrate. It is based on direct discussions, held about 12 months ago, with a range of purchasers specific to the McIntosh flake attributes such as high purity, flake size distribution and other price-worthy features such as crystallinity.

From our market sounding we believe that McIntosh flake is special, attracting a price premium to Hexagon as a seller. But, on a standalone downstream business basis, we are assuming that to secure those same “special” flake attributes for each of our product lines, we will need to procure feedstock from several different producers – in which case, we need to assume a similar price premium as a purchaser.

There are reports of new producers selling concentrate product for US$400 to US$600 per tonne. However, the comparison with our planned material is not valid; some of the sales your referring too, relates to product which requires additional primary processing so that it fits some rudimentary specification and others in that price range are simply just lower specification concentrates.

[OB]: ***Turning to what you refer to as the “Upstream” and the McIntosh Project, what stage is the work at and how likely do you think that MinRes will proceed with the McIntosh project development.***

[Mike]: As noted, Mineral Resources is our 51% joint venture in the McIntosh project. To maintain that ownership, MinRes needs to complete a Feasibility Study by mid-November 2019 and start project development work by mid-April 2020. The JV culminates in the requirement to achieve commercial production by 14 May 2021 for MinRes to maintain its 51% interest.

The Feasibility Study is underway. The current focus is metallurgical test work to define a process flowsheet. Test work, planned and commissioned by Hexagon, is currently underway in China at a highly regarded research facility with long-term graphite expertise. Once we have the results of this, the joint venture plans to follow-up with “locked-cycle” and pilot scale flotation tests to generate process design criteria as part of the Feasibility Study.

We are in regular contact with MinRes – the JV manager. Current discussions are mainly around the schedule and the looming milestone dates as well some of the test work programs. These are issues that both of us are aware of and we need to discuss further. In terms of the development of the Project – that depends on achieving a positive Feasibility Study outcome and that is a “work-in-progress”.

[OB]: ***In the March 2019 quarterly report, Hexagon referred to Charge Minerals and a new project in Alabama. Can you provide more detail on this?***

[Mike]: There are quite a few moving parts in this deliberate increase of our presence in the USA – so let’s pick those off first;

i. Hexagon is targeting premium markets – and this certainly includes the USA;

ii. Our main technical partner, that for confidentiality reasons, we refer to as “NAmLab” is based in the US and contributes many important market insights and sales opportunities;

iii. To further identify and engage with those potential customers, Hexagon engaged two experienced, US-based “graphite” consultants;

iv. Over the past 12 months, we identified specific market opportunities in the US with concentrated supply and not supported by any domestic natural flake graphite production;

v. So, we investigated opportunities for domestic, US supply to help create a US “beachhead” for “Hexagon” branded graphite. However, commercialisation of an industrial minerals project such as graphite relies on product marketing – matching what the customer wants with what you can supply.

   To do that you need a ready supply of product samples - a real constraint for us at McIntosh where the deposit starts 20 metres below surface and all samples are derived from drill core. Hexagon owns 80% of Charge Minerals, which has the Ceylon Graphite Project in Alabama, centred on the historic Ceylon Graphite Mine which was in production in several phases between 1910 and 1946. We plan to sample the mineralisation exposed on the old pit base and outcropping beyond the pit limits to create up to 80 tonnes of bulk samples for piloting and testing with customers.

In this way, the "market acceptance or appetite" will drive the resource and project development work. Industrial Minerals development is not a "Field of Dreams" situation where "if you build it they will come" which is the case for say a copper or gold mine, those are commodities and they don't need qualification and marketing to sell.

vi. Finally – there is a major effort and awareness in the US to catch-up on some level of self-reliance for certain critical minerals. In December 2017, we saw President Trump sign a Presidential Executive order on a Federal strategy to ensure secure and reliable supplies of critical minerals – which includes graphite. Now we are seeing a Mineral Security Bill being discussed with bipartisan political support. This is getting a lot of attention and press against the backdrop of China trade tensions, forecasts of booming demand for EV's as well as strategic defence applications requiring these critical minerals.

To bring all those points together; Hexagon is positioned in the right place, at the right time with the right people to benefit from the market awareness and opportunities.
Our objective is to create a marketing "beach-head" in the US leveraging off quality premium products, access to cutting edge process technologies and a potential local presence with a downstream facility as highlighted in the scoping study outcomes, as well as having diversified its feedstock reliance to a possible new source in Alabama – though that is still very early days. There is strong government and community support for these projects and possible federal funding for certain development proposals.

[OB]: ***What are the priorities for Hexagon over the next 6 to 12 months?***

[Charles]: Our priorities are to advance both the Upstream and Downstream project developments in parallel, noting that we don't control the upstream process with respect to McIntosh. We are hopeful of a positive Feasibility Study outcome for McIntosh and that detailed feasibility study work is in progress – with Hexagon making specific contributions to the processing aspects.

I know I sound like a broken record on this point, but it is important that people realise that the graphite industry is not a mining business. Groups who have approached their deposits like an iron ore project are doomed to fail. While what you have in the ground is important in determining which segments of the industry you can address, the mining aspect is relatively simple. It is the beneficiation, purification and sizing/classification aspects where your skills will determine whether you get dimes or dollars for your product.

In any case, it makes sense for us to focus on what we do control - namely the downstream processing business which we have built up a considerable knowledge around and as clearly highlighted in the Scoping Study can become a significant stand-alone enterprise.

[Mike]: I would add that the Downstream is not a "fall back" or an "insurance" as someone suggested to me recently – it is a very attractive business opportunity where the company has developed significant knowledge. Hexagon is leveraging off this growing expertise in processing thin graphite flake, targeting specific end-use applications and its access to unique technologies to achieve low-cost operating efficiencies to produce diverse high-end graphite materials. Ideally, this potential business is "corner-stoned" with supply from McIntosh or possibly Alabama, however, not reliant on that eventuating.

[Charles]: Agreed. Therefore, the priorities are to continue supporting MinRes in the Feasibility Study work wherever possible but also to continue to advance technical work on the downstream which also helps create certainty of demand and pricing for the primary "upstream" product. We are excited about putting our material through the pilot scale refining furnace which is due to come online in Q3 of this calendar year. This is a key technological element of our innovative process flowsheet.

In tandem with the technical work we need to explore funding options for the downstream – the scoping study has provided a "rough plan" of a staged and costed development scenario. With that background we now need to develop the funding strategy which would probably focus on include involving a strategic partner, a joint venture or collaboration with existing graphite or aligned industry participants.

[Mike]: I might add in response to several shareholder questions which indicates some people have mistakenly assumed that because the Scoping Study has estimated a A$25M capital spend to build the Qualification Plant – that we are about to raise that sum. It is not the case, and hopefully Charles' earlier comments reflect our mindfulness of generating financial returns for shareholders with sensible funding strategies – and the MinRes deal is an example of that.

[OB]: Mike, finally, what do you anticipate the near-term funding requirements for Hexagon will be - clearly you are not going to launch a $25 million capital raising any time soon but what are the next steps?

[Mike]: No, we are not. In June 2018, we completed a A$7 million capital raising to advance the downstream test work. Currently, as at the end of May we have approximately $4.2 million which we believe is enough to continue that work and advance the Charge Minerals work in Alabama, subject to positive results, into the June quarter of 2020.

[OB]: ***Gentlemen, thank you very much for your time to discuss Hexagon's recent Downstream Scoping Study results and providing an update on your other activities.***

[Mike]: No problem – thanks for your interest.

For more information about Hexagon Resources Limited, visit https://hexagonresources.com or call +61 8 6244 0349.

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