

## ASX Announcement

29 October 2020

### Hexagon advances gold exploration asset and works to acquire new hydrogen opportunity during September quarter

#### INVESTMENT HIGHLIGHTS

##### Strategic update

- Hexagon signed an agreement with Ebony Energy Limited permitting Hexagon to conduct due diligence on Ebony's 'blue' hydrogen project in the Northern Territory
- Hexagon is well-advanced on this due diligence and deal process and has formed a good understanding of the next steps required to complete a pre-feasibility study
- Post the quarter end, Hexagon also announced that it has withdrawn from the Option to acquire a 49% interest in the RapidSX for rare earth element (REE) separation technology

##### Halls Creek Project

- Identification of gold in soil anomalies from the first two of three target sites tested via soil sampling
- Systematic exploration data reveals encouraging, large-scale gold anomalies prospective for gold mineralisation, including in previously unexplored areas
- A comprehensive drilling programme, potentially supported by EIS Govt funding is planned for April-May 2021 to evaluate targets

**Hexagon Energy Materials** ("Hexagon" or "The Company") (ASX: HXG) is pleased to provide a report on its activities and cash flows for the quarter ended 30 September 2020.

#### HEXAGON ENERGY MATERIALS LIMITED

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## **BUSINESS DEVELOPMENT**

Post the quarter, Hexagon announced that it had withdrawn from the Option to acquire a 49% interest in the RapidSX™ for rare earth element (REE) separation technology from Innovation Metals Corp.

In parallel, the Company has been actively seeking ways in which it can progress value-added businesses that are consistent with its strategy, skill set and focus on energy materials and clean energy.

Consistent with this, Hexagon signed a confidentiality agreement with Ebony Energy Limited (Ebony Energy) permitting Hexagon to conduct due diligence on Ebony Energy's Pedirka Hydrogen project in the Northern Territory. This is planned to be a zero-emission 'blue' hydrogen project targeting domestic and international markets.

Hexagon is now well-advanced on its due diligence and has formed a good understanding of the next steps required for Ebony to complete a pre-feasibility study. This study will include a significant exploration drilling programme seeking to establish a Mineral Resource estimate.

Hexagon is in negotiations with Ebony Energy on the form, structure, and terms of a potential transaction and will provide further updates to the market in due course.

## **EXPLORATION**

Hexagon has two exploration-stage projects in the Kimberley region of Western Australia: Halls Creek and McIntosh. The Company continued to advance both projects during the quarter.

### **Halls Creek Project (Gold and Base Metals)**

Hexagon defined two significant new gold in soil anomalies at the Bent Ridge and Golden Crown South prospects which were sampled in July-August 2020 (refer Figure 1).

The scale of the anomalies is very encouraging with anomalous gold values defined over lengths of 1.4 kilometres and 3 kilometres at the Golden Crown South and Bent Ridge prospects, respectively. Significantly, the Golden Crown South anomaly occurs in an area not tested previously for gold and overlies fault structures regionally associated with known gold deposits.

Several of these anomalies are 'open-ended' and additional sampling is required to determine the extents as well as to infill the existing wide-spaced sample intervals. For a full overview of the Company's findings, see the ASX Announcement dated 25 September 2020.

The Halls Creek region is known for high-grade gold deposits such as those currently being mined by Pantoro Ltd (ASX: PNR) at the Nicholson's Find Gold Mine. Additionally, the historical Butchers Creek Gold Mine located less than one kilometre to the west of Hexagon's tenements and new Golden Crown South prospects, is currently being drilled by Meteoric Resources NL (ASX: MEI).

Western Australia is currently experiencing an exploration boom with Program of Work (PoW) applications up 63% to a 5-year high, and whilst this is positive for the industry it has created significant backlogs with assays and severely constrained the availability of drill rigs, assay services and labour.

Hexagon has received approval for four PoW applications including for Bent Ridge and Golden Crown South drill programs. The drill rig that Hexagon had reserved was significantly delayed by additional drilling requests from prior clients and unfortunately, given the impending wet season and a forecast early cyclone season, caused Hexagon to defer its drill program until April-May of 2021. A positive aspect of this delay is that it has allowed the Company time to make a submission to WA State Government for a financial grant under the Exploration Incentive Scheme to contribute to exploration drilling costs.

### **McIntosh Project (Nickel-Copper, PGE and Graphite)**

Hexagon continues to make progress at McIntosh, its nickel and platinum group elements (PGE) exploration project located in the Kimberly region of Western Australia.

Based on reprocessing of historical geophysical and geochemical data, the Company has previously identified numerous targets prospective for nickel and PGE mineralisation as summarised in Figure 2. During the quarter further work was undertaken to transfer data into a digital format for reprocessing and further assessment of the identified targets to support a fieldwork programme. The Company plans to provide a further update on this work imminently.

During the quarter, site activities included rehabilitation of recent and legacy exploration activity.

## **CORPORATE**

### **Financial Position**

Quarterly cash flow is summarised in the attached Appendix 5B. The Company finished the period with a cash balance of \$0.77 million.

In accordance with ASX Listing Rule 5.3.5, the Company confirms that payments made to directors during the quarter were comprised of salaries and fees.

### **Capital Structure**

There were no changes to the capital structure of the Company during the period, however subsequent to the end of the quarter on 16 October, 24 million unlisted options expired leaving the Company with a single class of securities on issue, being 292 million ordinary shares.

**Hexagon Managing Director Mike Rosenstreich said:** *“We are very pleased with our progress during the quarter and the transformation that may arise from our strategic repositioning. Although we are not proceeding down the path of REE processing, we are excited by the recent results from our exploration projects and the new hydrogen opportunity presented to us by Ebony Energy. The talks with Ebony Energy are progressing well and we are optimistic that a value-accretive transaction and/or partnership is on the horizon. We look forward to updating the market further on this matter as the due diligence process and commercial discussions conclude and we potentially reach an agreement.”*

**Ends**

### **AUTHORISATION**

This announcement has been authorised by the Board of Hexagon.

### **COMPETENT PERSONS' ATTRIBUTIONS**

The information within this report that relates to exploration results, Exploration Target estimates and geological data at the McIntosh and Halls Creek Projects is based on information compiled by Mr. Mike Rosenstreich, a full-time employee of the Company. Mr. Rosenstreich is a Fellow of the Australian Institute of Mining and Metallurgy and 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.

## **About Hexagon Energy Materials Limited**

Hexagon Energy Materials Limited (ASX:HXG) is an Australian company focused on resources, energy materials, and clean energy. Hexagon is currently exploring at its two wholly-owned assets in Western Australia, the Halls Creek Gold Project and the McIntosh Graphite Project.

Hexagon is also actively seeking ways to progress value-added businesses that are consistent with its strategy, skill set, and focus on clean energy. The company is currently assessing new opportunities in the space while continuing to develop its highly prospective exploration assets.

To learn more, please visit [www.hxgenergymaterials.com.au](http://www.hxgenergymaterials.com.au)

## **FOR FURTHER INFORMATION, please contact:**

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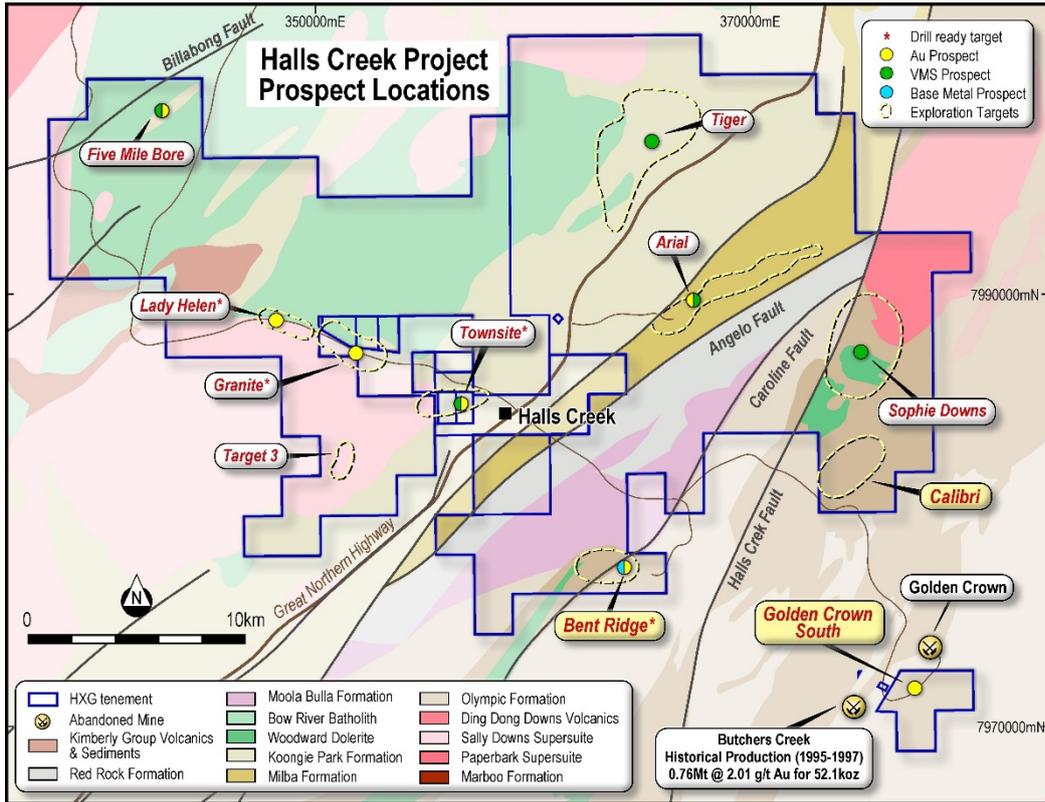


Figure 1: Halls Creek Project – schematic geology and location plan

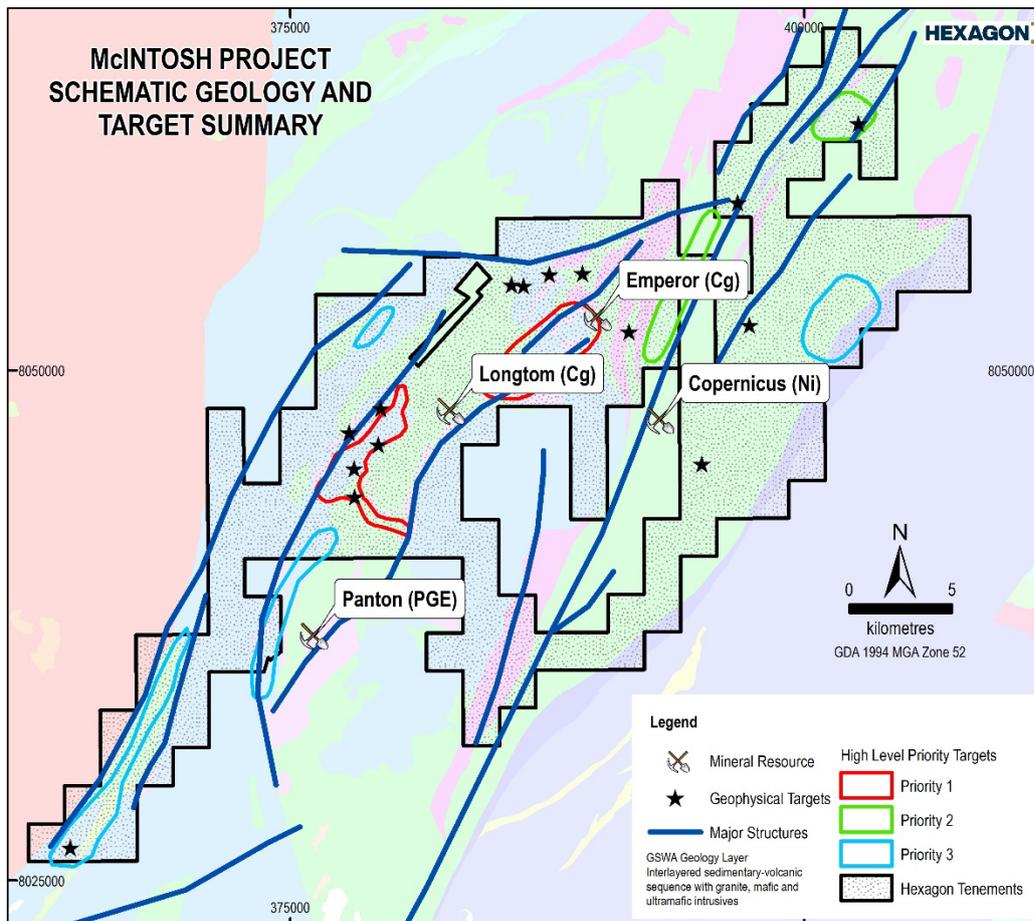


Figure 2: McIntosh Project – schematic geology and target location plan

## Appendix 5B

### Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

<b>HEXAGON ENERGY MATERIALS LIMITED</b>
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ABN

<b>27 099 098 192</b>
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Quarter ended ("current quarter")

<b>30 September 2020</b>
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<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation (if expensed)	(124)	(124)
(b) development	(36)	(36)
(c) production	-	-
(d) staff costs	(70)	(70)
(e) administration and corporate costs	(217)	(217)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (Covid-19 Grant)	55	55
Reimbursement McIntosh rehabilitation	150	150
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(241)</b>	<b>(241)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	(17)	(17)
(c) property, plant and equipment	-	-
(d) exploration & evaluation (if capitalised)	(144)	(144)
(e) investments	-	-
(f) other non-current assets	-	-

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(161)</b>	<b>(161)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (Office Rental Lease Liability)	(13)	(13)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(13)</b>	<b>(13)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,206	1,206
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(241)	(241)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(161)	(161)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(13)	(13)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	(25)	(25)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>766</b>	<b>766</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	719	759
5.2	Call deposits	47	447
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>766</b>	<b>1,206</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

<b>Current quarter \$A'000</b>
112
-

6.1 – Includes payments to Managing Director.

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-
7.5 <b>Unused financing facilities available at quarter end</b>		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
-		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(241)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(144)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(385)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	766
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	766
8.7 <b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	<b>2.0</b>
8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:	
1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:	
2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer:	
3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer:	

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: .....29 October 2020.....

Authorised by: .....By the Board.....  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.