

ASX Announcement

Quarterly Activities Report | 26 April 2021

Hexagon finalises acquisition of Ebony Energy and prepares for next phase of growth during March quarter

Highlights:

- Completed acquisition of Australian hydrogen company Ebony Energy Limited (Ebony)
- Hexagon now has full control of the Pedirka blue hydrogen project in the Northern Territory
- Immediate commencement of pre-feasibility study slated for completion this year
- Hexagon gearing up for a drill program at Halls Creek and have secured a VTEM survey
- Ongoing discussions to create shareholder value at its McIntosh and Alabama Projects

Australian clean energy company **Hexagon Energy Materials Limited (ASX: HXG)** ('Hexagon' or "the Company") is pleased to provide its quarterly activities report for the period ending 31 March 2021 (Q3 FY21).

Completion of Ebony Energy acquisition

During the quarter, Hexagon was primarily focused on completing its acquisition of Ebony Energy Limited ('Ebony').

At the end of the quarter, Hexagon confirmed that the acquisition of Ebony had become unconditional (ASX Announcement: 29 March 2021). With that, Hexagon issued Hexagon shares in consideration for greater than 98% of the shares of Ebony with the remainder finalised in April.

Ebony's sole asset is the Pedirka Blue Hydrogen Project ('the Project'), located in the Northern Territory and covering an area of just under 800km².

The acquisition is timely given the Australian government's commitment to provide \$275.5m in funding to develop four regional clean hydrogen hubs and \$263.7m for carbon capture and storage technology in its upcoming budget.

With the acquisition now finalised, the Company will undertake a Pre-Feasibility Study which is slated for completion in 2021. It is proposed that the Project will host a surface gasification plant to produce 'blue' hydrogen to supply domestic and export markets from coal feedstocks

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with zero carbon emissions. In addition to being clean, hydrogen is a versatile energy source with applications across the transport, electricity, industrial and heating sectors.

In parallel, Hexagon is working with government and private sector entities to secure agreements that will accelerate the Project's pathway to production of hydrogen to meet the growth in demand in the Asia Pacific region.

For a full overview of the Project, see the investor presentation released to the market on 15 March 2021.

Halls Creek Gold and Base Metals Project

The Halls Creek region is known for high-grade gold deposits such as those currently being mined by Pantoro at the Nicholson's Find Gold Mine. Hexagons, Halls Creek Project involves thirteen granted tenements spanning approximately 430km², which includes the Lady Helen, Townsite, Granite and Bent Ridge prospects.

In 2020 results at Bent Ridge defined two target zones of 0.8 km and 2.4 km in strike-length within an overall 3.5km trend of Au anomalies and at Golden Crown South a 1.4km Au anomaly was identified over a previously under-explored area (refer to ASX announcement 25 September 2020 for further details). Additionally, the historic Butchers Creek Gold Mine is located less than one kilometre to the west of the Golden Crown South prospects and formed part of Meteoric Resources 2020 acquisition of the Palm Spring gold project.

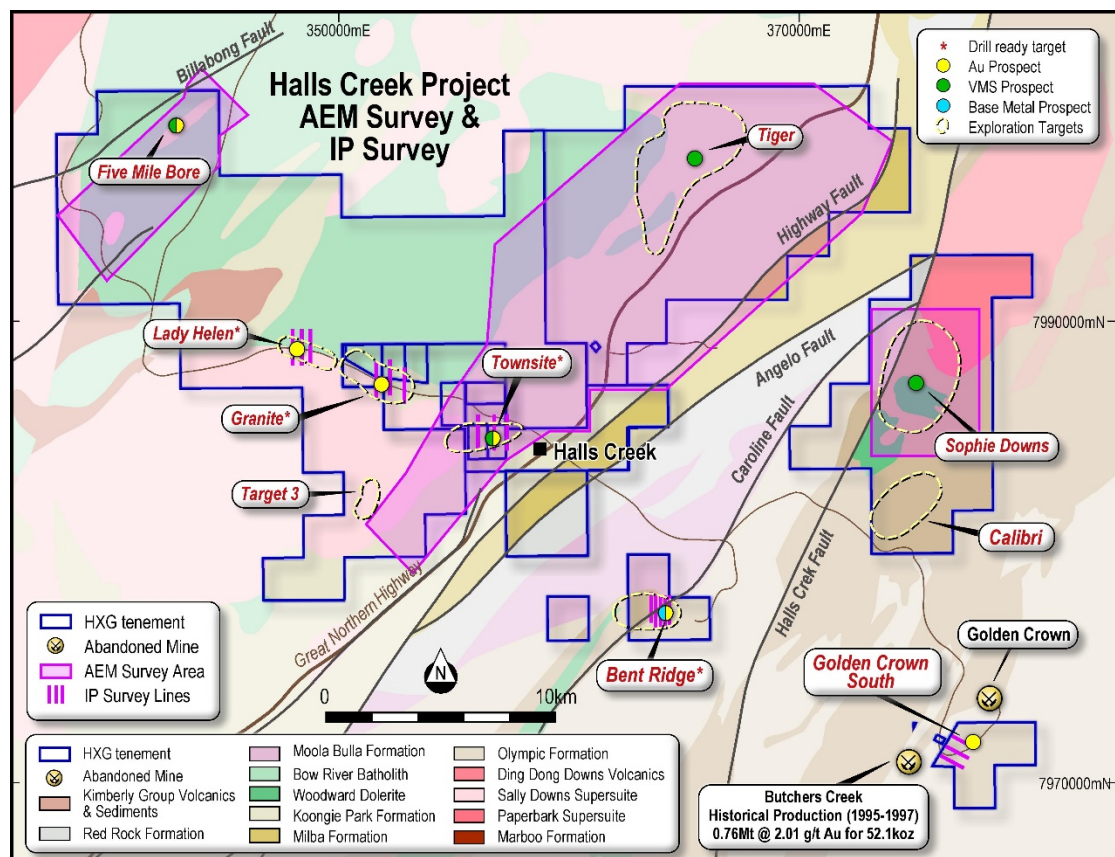


Figure 1: Halls Creek Project – schematic geology and proposed AEM and IP survey out lines

Within the quarter preparations have been underway for the upcoming 2021 field season.

A detailed airborne electromagnetic (AEM) has been commissioned to target potential VMS-style mineralisation within areas that were highlighted in a detailed aero magnetic survey undertaken by Hexagon in 2019, including Tiger, Sophie Downs and Five Mile Bore (see ASX announcement 11th February 2020). The total program of approximately 1,248 line-kilometres utilising the VTEM™ MAX system is being flown by UTS Geophysics (Geotech) the program is expected to commence in mid/late May with results and interpretations expected in Q3, 2021.

A review of historical geochemical data is currently being undertaken by ex-Gold Fields Chief Geochemist, Dr Heidi Pass from Element Insight Consulting. The review is intended to validate historic geochemistry and will be used in combination with the upcoming AEM surveys results to aid in the delineation of new and confirmation of existing targets.

A 3D Induce Polarisation (IP) program is also planned to commence in mid/late May, the program includes surveys at Lady Helen, Granite, Townsite, Golden Crown South and Bent Ridge. The results will be used to aid in finalising drill program design at Bent Ridge and refine drill targets at the remaining prospects.

A first pass RC program (~500m) is due to be completed at Bent Ridge in Q3 2021 with the drill contractor due to be confirmed in the coming weeks. Subject to results of the AEM and IP surveys further drilling is currently incorporated into the upcoming field season budget.

McIntosh project

This McIntosh comprises a significant consolidated land package comprising 17 Exploration Tenements, 542km² over similar geology that hosts Savannah Nickel Mine⁽ⁱ⁾ to the north, the Copernicus Nickel – Copper deposit⁽ⁱ⁾, and Panton Sill PGE deposit to the south, which recently sold for \$12 million⁽ⁱⁱ⁾.

Within the quarter Hexagon commenced the third phase of the historical geochemical and geophysical review that was started in 2020 (see ASX announcement 29 October 2020). The third phase of the review of is being undertaken by Exploration Geological Consulting, and includes compiling historic geochemical, drill hole and geophysical data from 381 historic reports spanning exploration dating back to the 1960's. This compiled data is being incorporated into a project wide structural, stratigraphic assessment and providing targeting for Ni-PGE-(Cu)-(Au) mineralisation.

The review is due to for completion early Q2 of 2021 with results influencing the next phase of the 2021 exploration field program. Hexagon has engaged SRK Consulting to undertake field mapping across the McIntosh Project area, which is planned to commence mid/late May in line with the field season.

(i) owned by Panoramic Resources Ltd ASX (PAN)

(ii) See Panoramic Resources Ltd ASX (PAN) ASX Announcement 7 December 2020

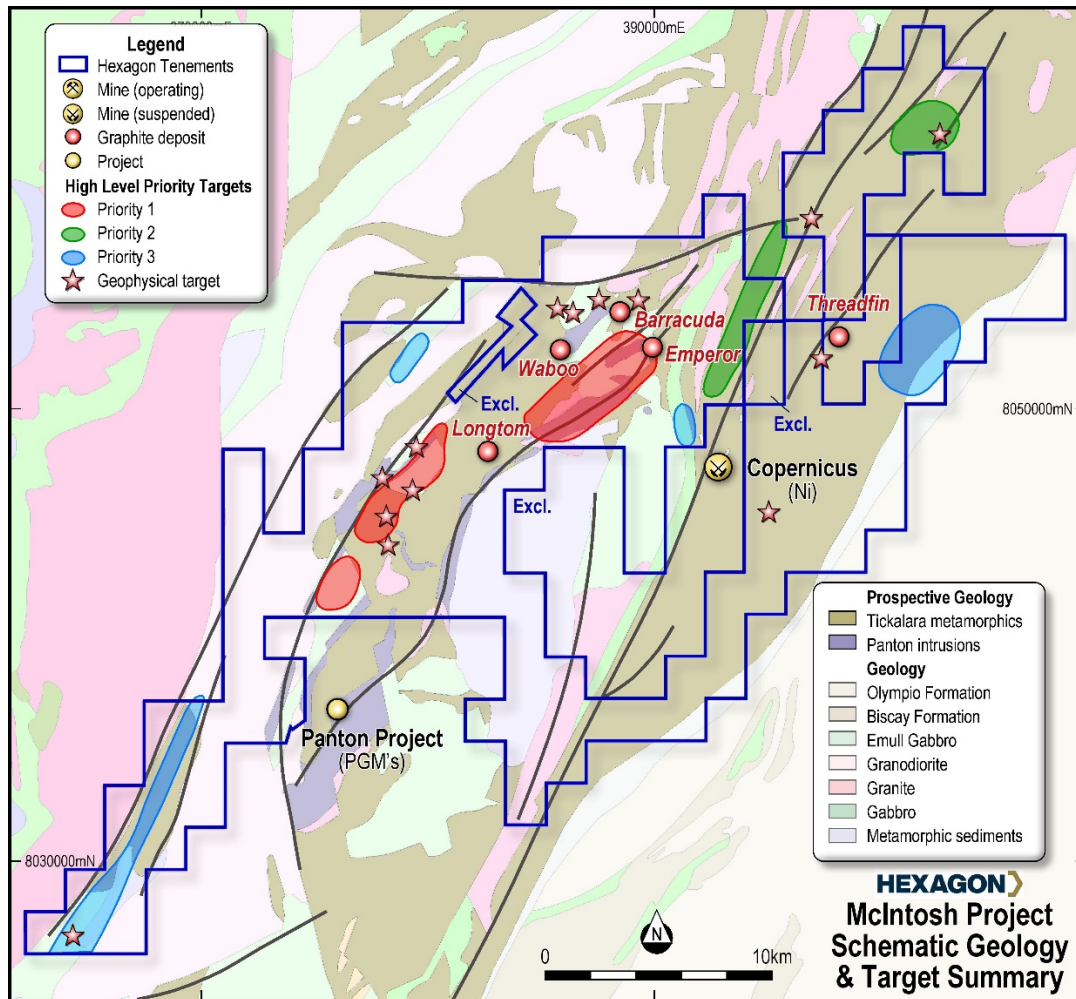


Figure 2: McIntosh Project – schematic geology and target location plan

Corporate

In March, Hexagon held an Extraordinary General Meeting to seek shareholder approval pursuant to ASX Listing Rule 11.1.2. for the all scrip offer to acquire Ebony. The resolution was decided by a poll and passed with 99.93% acceptances. All resolutions put to the EGM were passed as ordinary resolutions (ASX Announcement: 10March 2021).

The following table shows Hexagon's shares and options on issue, following completion of the acquisition of Ebony Energy.

Security Code	Security Name	Total Holdings
HXG	ORDINARY FULLY PAID SHARES	389,650,191
HXGUOPT7	UNL OPTIONS EXPIRING 30/12/2022 @ \$0.10	4,000,000

On 16 March 2021 the Company released an investor presentation outlining the opportunity presented by the Pedirka Project.

Quarterly cashflow is summarised in the attached Appendix 5B. The Company finished the quarter with a cash balance of \$0.23m.

In accordance with ASX Listing Rule 5.3.5, Hexagon confirms that payments made to directors during the March 2021 quarter totalling \$0.064m were comprised of salaries and fees paid to directors.

Hexagon's Chairman Charles Whitfield said: "We are very excited to have finalised our acquisition of the Pedirka project. We strongly believe that Pedirka has the potential to become a regionally important producer of hydrogen that will help meet the increasing demand for carbon-neutral energy solutions in the Asia-Pacific region. The acquisition of Pedirka is consistent with our focus on clean energy solutions and will hopefully support the conversion to hydrogen economies in the years ahead. We look forward to rapidly advancing the Pedirka Pre-Feasibility Study while also progressing our mineral assets. I would like to take this opportunity to once again thank our shareholders for their ongoing support during the quarter as we have worked to bring the Pedirka transaction to a close."

Ends

Competent persons' attributions

The information within this report that relates to Exploration Results, geological data and Metallurgical test results at the McIntosh, Alabama and Halls Creek Projects and is based on information compiled by Mr Michael Atkinson and is subject to the individual consents and attributions provided in the original ASX reports referred to in the text of this report. Mr Atkinson is not aware of any other new information or data that materially affect the information included in the original market announcement referred to above, and that all material assumptions and technical parameters have not materially changed.

Mr Atkinson is a consultant to Company and a member of The Australian Institute of Geoscientists. 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 the above 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 the exploration and development of clean energy and energy materials projects.

Hexagon is primarily focused on developing its flagship Pedirka blue hydrogen project in Australia's Northern Territory. At Pedirka, Hexagon aims to produce the blue hydrogen required to support the conversion to clean energy economies over the coming decades.

In Australia, Hexagon also owns the McIntosh graphite, nickel and PGE's project and the Halls Creek gold and base materials project. In the US, Hexagon has an 80 per cent controlling interest of a graphite exploration project in Alabama.

Hexagon actively seeks ways to progress value-added enterprises consistent with its strategy, skill set, and focus on clean energy. The company continues to assess new opportunities in the space while developing its highly prospective exploration assets.

To learn more please visit: www.hexagonresources.com

Authorisation

This announcement has been authorised by the Board of Directors.

FOR FURTHER INFORMATION, please contact:

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Appendix 5B

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

Name of entity

HEXAGON ENERGY MATERIALS LIMITED

ABN

27 099 098 192

Quarter ended ("current quarter")

31 March 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	(46)	(339)
	(b) development	-	(85)
	(c) production	-	-
	(d) staff costs	(96)	(291)
	(e) administration and corporate costs	(213)	(610)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	1
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	162
1.8	Other (Covid-19 Grant)	-	68
	Reimbursement McIntosh rehabilitation	-	150
1.9	Net cash from / (used in) operating activities	(355)	(944)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	(17)
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation (if capitalised)	(35)	(410)
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
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)	-	-
2.6	Net cash from / (used in) investing activities	(35)	(427)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	500
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	(4)	(34)
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)	(14)	(42)
3.10	Net cash from / (used in) financing activities	(18)	424

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	640	1,206
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(355)	(944)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(35)	(427)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(18)	424

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(2)	(29)
4.6	Cash and cash equivalents at end of period	230	230

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	183	593
5.2	Call deposits	47	47
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	230	640

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

Current quarter \$A'000
64
-

6.1 – Includes payments to Managing Director.

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>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 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
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.		
-		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(355)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(35)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(390)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	230
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	230
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	0.6
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: Yes	
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: Yes, the entity is planning a private placement to raise additional capital in the next quarter to enable the Company to continue to fund its operations. The Directors have historically successfully completed placements.	
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: Yes. The entity expects to continue its operations and meet its business objectives in the coming quarters based on the current cashflow forecast prepared for management purposes and its demonstrated ability to access capital markets.	

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:26 April 2021.....

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.