



ASX Announcement | 29 Oct 2021
Hexagon Energy Materials Limited (ASX: HXG)

July - September 2021 Quarterly Activities Report

Pre-Feasibility Study work continues on Hexagon's Northern Territory Hydrogen Project and Ni-Cu-PGM prospectivity confirmed at Hexagon's McIntosh Project.

Hexagon Energy Materials Limited (ASX: HXG) ('Hexagon' or 'the Company') is pleased to provide its quarterly activities report for the period ending September 30, 2021 (Q1 FY22).

Hexagon is focused on the exploration and development of clean energy and energy materials projects. During the quarter, the Company's main activities centered around continuing the PFS work for the Hydrogen Project in the Northern Territory (NT) and confirming the Ni-Cu-PGM prospectivity of the Company's McIntosh Project located in Western Australia (WA).

Highlights:

Pedirka NT Hydrogen Project.

- Engineering and design work across Hydrogen and Ammonia production estimates and plant capital and operating costs have been progressed by Genesis, a wholly owned Technip Company.
- Multi potential plant site/location comparisons on a technical and commercial basis are being progressed.
- In early July 2021 a Mine Management Plan (MMP), including an environmental plan, was lodged with the NT Government in order to secure approvals for Hexagon's exploration drilling program (see HXG ASX announcement 9 July 2021). Initial MMP feedback was received in mid-October 2021 with further discussions underway.
- Energy/input source alternative reviews continue to be progressed.
- Transportation and associated infrastructural requirement cost estimates are being progressed, working with Qube Holdings.
- Carbon capture and storage (CCS) options have been progressed to early-stage negotiations with potential partners.
- Further announcements on the Pre-Feasibility Study (PFS) will be made in the coming weeks.

McIntosh Nickel, Copper, PGE Project.

- Regional structural and geological mapping rock chips samples confirm Ni-Cu-PGM prospectivity. Results include grades of 4.58% Cu, 25.11 g/t Pt-Pd-Au, 0.32% Ni, 6.12 g/t Ag.
- Further encouraging results from additional rock chip sample analysis. Results include grades of 6.39g/t Pt-Pd-Au, 0.96% Ni and 0.25% Cu received.
 - Major soil sampling program completed. Approximately 5,200 samples collected. Analyses expected by end of November 2021. For review against a prioritised exploration program planned for the 2022 field season.
 - 3D Inverse Polarisation (IP) survey completed at Melon Patch. With the results expected by mid-November 2021 for use with soil sample results to refine drill plans.

HEXAGON ENERGY MATERIALS LIMITED

Australian Business Number (ABN) 27 099 098 192

Registered Office: Suite 3, 7 Kintail Road, Applecross, Western Australia 6153

t: (+61 8) 6244 0349 e: info@hxgenergymaterials.com.au w: hxgenergymaterials.com.au

Halls Creek Gold and Base Metals Project.

- Several groups have, under Confidentially Agreements, accessed detailed data on the project and entered into discussions with respect to potential collaborations or transactions.
- Airborne Electromagnetic (AEM) survey preliminary results highlighted five priority areas prospective for conductive massive sulphide mineralisation (see HXG ASX announcement 22 July 2021).
- Ground truthing of these priority areas was completed at the end July 2021. Comprehensive interpretation of the final AEM data set, received in mid-October 2021, is underway with a final report and interpretation to be completed by mid-November 2021. This report and the final May 2021 Induced Polarization (IP) geophysical survey results report will lead into drilling program design for Bent Ridge, Lady Helen, and Granite and the remaining AEM areas.

Ceylon Graphite (Alabama)

- Due diligence was undertaken by a group interested in developing the Ceylon Graphite Project in Alabama, U.S.A., of which Hexagon owns an 80% interest.

Corporate.

- Hexagon's Full Year statutory accounts, Corporate Governance Statement, Appendix 4G and Annual Report to Shareholders were released during the quarter.
- Post the September 2021 quarter end, Merrill Gray was appointed as Hexagon's Managing Director. She joined the Board and commenced working with the Company on October 18th. Merrill will lead the Hexagon team to continue to focus and re-shape the Company's portfolio of energy materials projects, in line with Hexagon's future energy strategy.
- In conjunction with Merrill's appointment, Justyn Stedwell stepped down from the Hexagon Board as a Non-Executive Director on 19 October 2021.
- Hexagon's cash position at the end of the quarter was \$3.4 million.

Hexagon's Chairman Charles Whitfield said: *"Significant progress has been made on all of Hexagon's initiatives this quarter and with Merrill Gray joining as Managing Director this month, Hexagon has taken another big step forward."*

"Her experience and sector connectivity will both accelerate and broaden the scope of opportunity for Hexagon to pursue. Across its twin strategic goals to become a significant player in the hydrogen / clean energy space and to execute accretive initiatives for the Company's other assets.

"To that end, we expect to make some further positive progress pertaining to all these projects and announcements over the coming weeks" Mr. Whitfield said.

Detailed Project Updates:

McIntosh Nickel, Copper, PGE Project.

Across Hexagon's 415 km² ground holding in the East Kimberley region of WA, several high priority Ni-Cu-PGM areas including the Melon Patch North, Mabel Hill, Jackal and Hyena, as shown in Figure 1, have been identified and were subject to further systematic geological investigation and review during the quarter.

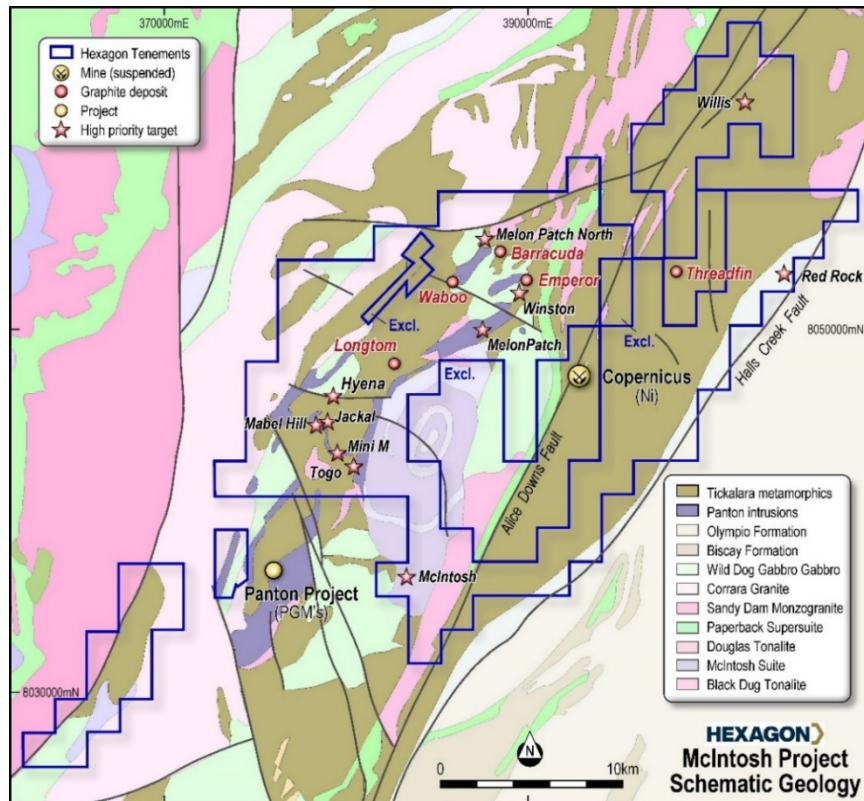


Figure 1: McIntosh Project showing priority areas

This included results from regional structural and geological mapping rock chips samples including 4.58% Cu, 25.11 g/t Pt-Pd-Au, 0.32% Ni, 6.12 g/t Ag and 6.39g/t Pt-Pd-Au, 0.96% Ni and 0.25% Cu recorded for samples (for the full report refer to HXG ASX announcements dated 19 August, 12 October and 19 October 2021).

A major soil sampling program was completed with approximately 5,200 samples collected. The analytical results from these samples are expected to be received by the Company by the end of November 2021. In addition, a 3D Inverse Polarisation (IP) survey was completed at Melon Patch during the quarter. With the IP results expected to be received by the Company by mid-November 2021.

Both the soil sampling and IP results will then be reviewed against the prioritised exploration program planned for the 2022 field season.

Pedirka NT Hydrogen Project.

Hexagon is developing a business to deliver zero emission hydrogen into export and domestic markets. This includes a PFS with a base case utilising gasification and carbon capture and storage (CCS) and progressively increasing renewables inputs to minimise environmental impacts in hydrogen that is produced.

For further details on the PFS and macro drivers in the hydrogen space, see the HXG ASX announcements dated 19 May 2021 and 24 June 2021.

In early July 2021 an MMP, including an environmental plan, was lodged with the NT Government in order to secure approvals for Hexagon’s exploration drilling program (see HXG ASX announcement 9 July 2021). Initial MMP feedback was received in mid-October 2021 with further discussions underway. This resulted in the drilling program commencement delays.

Meanwhile the Hydrogen PFS, post feedstock, is progressing including:

- Engineering and design works across hydrogen and ammonia production estimates and plant capital and operating costs by Genesis, a wholly owned Technip Company,
- Multi potential plant site/location comparisons on a technical and commercial basis.
- Alternative energy/input source reviews.
- Transportation and associated infrastructural requirement cost estimates working with Qube Holdings.
- Carbon capture and storage (CCS) options have progressed to early-stage negotiations with potential partners.

Further announcements on the PFS will be made in the coming weeks.

Halls Creek Gold and Base Metals Project.

Airborne Electromagnetic (AEM) survey preliminary results highlighted five priority areas prospective for conductive massive sulphide mineralisation as shown in Figure 2 below.

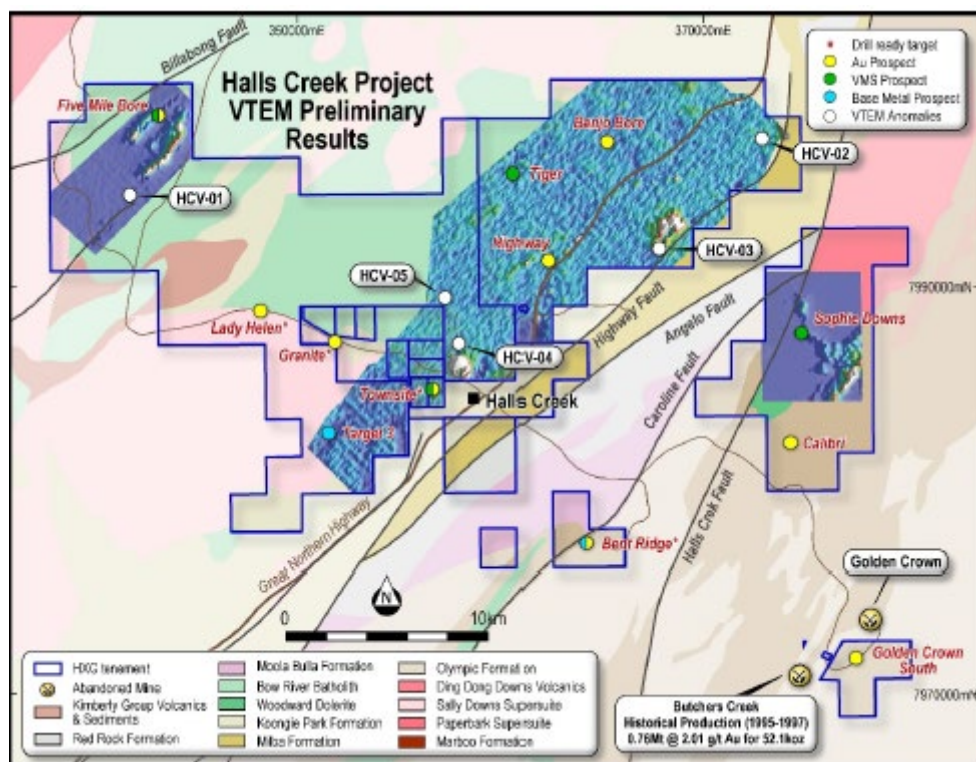


Figure 2: Halls Creek Project five (5) High Priority VTEM anomalies shown on preliminary late-time (BFZ45) imagery

Ground truthing of these priority areas was completed at the end July 2021. Comprehensive interpretation of the final AEM data set, received in mid-October 2021, is underway. With a final report and interpretation to be completed by mid-November 2021.

This report and the final May 2021 Induced Polarization (IP) geophysical survey results report will lead into drilling program design for Bent Ridge, Lady Helen, and Granite and the remaining AEM areas.

During the quarter a number of groups entered into confidentiality agreements to allow access to detailed data on the project. Negotiations have been entered into as part of Hexagon’s strategy to secure a value accretive transaction in relation to its Halls Creek asset.

Ceylon Graphite (Alabama)

Negotiations continued during the quarter with a group interested in developing the Ceylon Graphite Project in Alabama, U.S.A., in which Hexagon owns an 80% interest.

Corporate

Hexagon's Full Year statutory accounts, Corporate Governance Statement, Appendix 4G and Annual Report to Shareholders were released during the quarter.

Post the September 2021 quarter end, Merrill Gray was appointed as Hexagon's Managing Director and joined the Board. Merrill will lead the Hexagon team to focus and re-shape the Company's portfolio of energy materials projects, in line with Hexagon's future energy strategy.

Justyn Stedwell stepped down from the Hexagon Board as a Non-Executive Director on 19 October 2021.

Hexagon's cash position at the end of the quarter was \$3.4 million.

Ends

Authorisation

This announcement has been authorised by the Board of Directors.

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 developing a business to deliver decarbonised hydrogen into export and domestic markets. This includes a PFS with a base case developing the Pedirka hydrogen project in Australia's Northern Territory, utilising gasification and carbon capture and storage (CCS). Hexagon plans to progressively increase renewables inputs, minimising the environmental impacts of the hydrogen it produces.

Hexagon also owns the McIntosh Nickel-Copper-PGM and graphite project in WA and the Halls Creek gold and base materials project also in WA. 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 and clean energy materials.

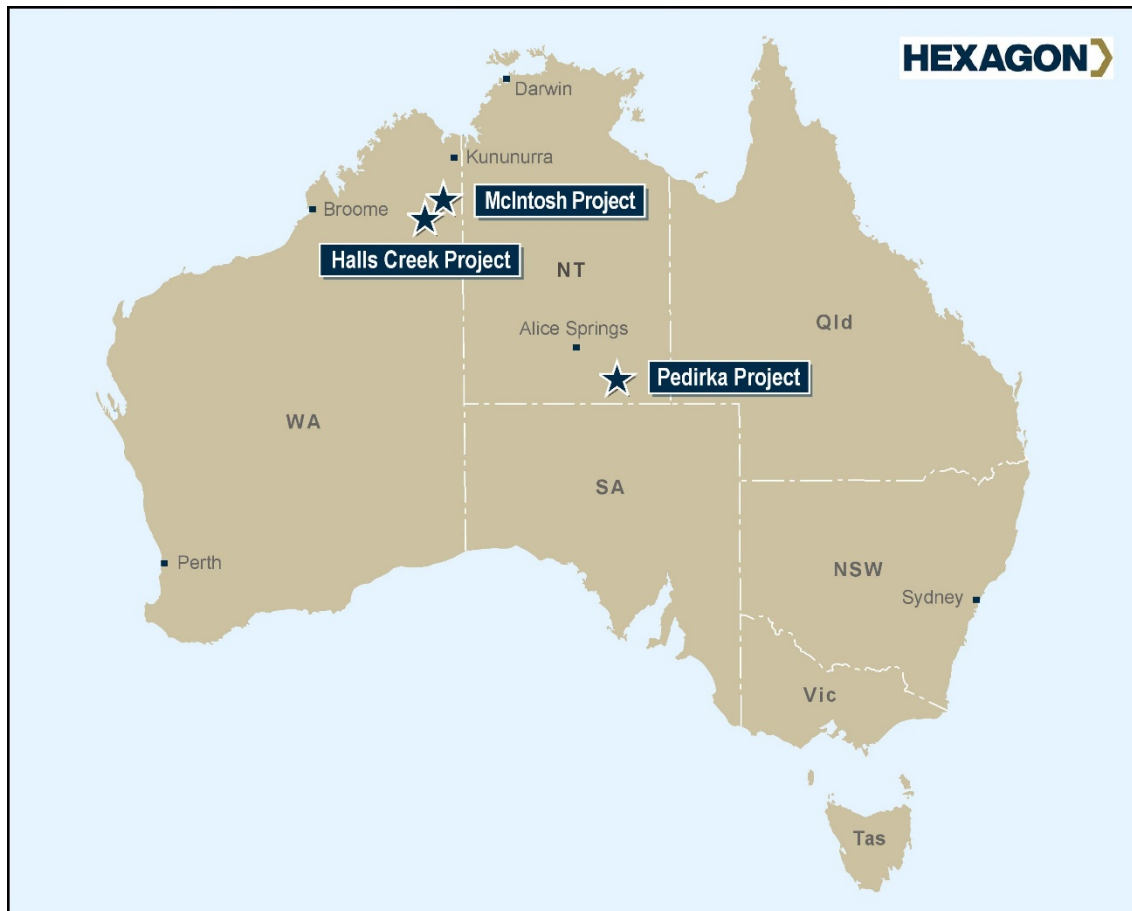


Figure 3: Hexagon Australian project location

To learn more please visit: www.hxgenenergymaterials.com.au

FOR FURTHER INFORMATION,

Investors Contact:

Hexagon Energy Materials Ltd

Merrill Gray

Managing Director

+61 8 6244 0349

Media Contact:

GRACosway

Nick Howe

nhowe@gracosway.com.au

+61 407 183 221

Competent persons' attributions

The information within this report that relates to Exploration Results including geological data for the McIntosh Project and Halls Creek Project is based on information generated and compiled by Mr Michael Atkinson. 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.

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")

30 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation (if expensed)	(493)	(493)
(b) development	-	-
(c) production	-	-
(d) staff costs	(60)	(60)
(e) administration and corporate costs	(200)	(200)
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	-	-
1.9 Net cash from / (used in) operating activities	(752)	(752)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation (if capitalised)	(862)	(862)
(e) investments	-	-
(f) other non-current assets	-	-

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	-	-
2.6	Net cash from / (used in) investing activities	(862)	(862)

3.	Cash flows from financing activities		
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)	(16)	(16)
3.10	Net cash from / (used in) financing activities	(16)	(16)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,052	5,052
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(752)	(752)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(862)	(862)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(16)	(16)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,422	3,422

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	1,875	2,505
5.2	Call deposits	1,547	2,547
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)	3,422	5,052

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
57
-

6.1 – Payments to Directors.

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. 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)	(752)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(862)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(1,614)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	3,422
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	3,422
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	2.1
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: N/A	
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: N/A	
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: N/A	

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 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.