



ASX Announcement | 4 November 2021
Hexagon Energy Materials Limited (ASX: HXG)

South Star Battery Metals Corp to earn-in to 75% of Ceylon Graphite Project in Alabama, USA

Hexagon Energy Materials Limited (ASX: HXG, “Hexagon” or “the Company”) is pleased to advise that it has agreed to the key terms of a proposed earn-in with South Star Battery Metals Corp. (“South Star”) through which South Star would acquire an interest of up to 75% of the Ceylon Graphite Project in Alabama, USA (“Project”).

South Star Battery Metals Corp. is a Canadian battery metals project developer and miner focused on the selective acquisition and development of near-term production projects in the Americas. South Star’s Santa Cruz Graphite Project, located in Southern Bahia, Brazil is the first of a series of industrial and battery metals projects, where commercial production planned for the end of 2022.

Hexagon currently owns 80% of the Ceylon Graphite Project, with the balance held by private owners including U.S. Critical Minerals LLC (“USCM”), as shareholders in the Project owner, Charge Minerals LLC (“Charge Minerals”).

The South Star earn-in is subject to negotiating, finalising and executing formal agreements on or before 30 November 2021, and the receipt of all necessary approvals, including for South Star, the approval of the Toronto SX Venture Exchange (the “TSXV”).

Hexagon has been working towards a value accretive transaction for Charge Minerals (Ceylon Graphite), such as this where Hexagon’s direct development and operational involvement is reduced, and participation in project success or upside is maintained. As a diversified battery metals company headquartered in North America, South Star brings significant potential as an ideal majority owner and developer of the Ceylon Graphite project. South Star has a track record of moving projects through Feasibility Study, of securing Environmental Permits, as well as Trial Mining Licences for graphite projects.

This precedent experience gained across prior projects, as well as advantageous market conditions contributed to by the U.S.A. National Blueprint for Lithium Batteries 2021-2030, developed by the Federal Consortium for Advanced Batteries, provides a significant opportunity for the Ceylon Graphite project’s potential to be realised. That potential is further enhanced by the interest and support the Federal Consortium’s initiative is creating in the U.S.A. domestic lithium-battery manufacturing value chain.

Hexagon’s Managing Director, Merrill Gray, said: “South Star is an experienced graphite project developer and operator with significant technical resources and the ambition to move this expertise into North America. This earn-in deal could accelerate the Ceylon Graphite project’s development, unlocking value for Hexagon and allowing the Company to focus on the progression of our core Australian projects, in Hydrogen and Nickel, growing our energy materials portfolio beyond Ceylon Graphite.”

Richard Pearce, South Star’s CEO, said: “We are very excited to be working with our partners on a very similar project to our Brazilian asset. We are focused on near-term production and we can leverage that similarity and know-how to advance the development quickly. Significant steps are being made to advance North America and Europe towards a more diversified supply chain. This project is potentially located in the middle of the Southeast corridor, which is developing into one of the most important EV and advanced materials manufacturing centers in North America.”

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

PROPOSED EARN-IN TERMS

The following is a summary of the key terms of the proposed earn-in:

- South Star to complete drilling, resource estimation, and analysis needed to produce a NI 43-101 compliant Preliminary Economic Assessment (PEA) within three years of the signing of the final agreements (“Earn-in Period”).
- South Star to fund an annual minimum expenditure of CAD\$250,000 (CAD\$750,000 total minimum) during the Earn-in Period to earn 75% of the Project.
- South Star to extend or renew, as needed, and as part of the earn-in expenditure, the existing mineral leases and surface agreements on the Project to ensure they are valid for a period of a minimum of 12 months beyond the Earn-in Period.
- Upon satisfaction of the first three items listed above, South Star shall have the right, but not the obligation, exercisable within an agreed period, to acquire 75% of the Project, following which (subject to the put option described below) the parties would operate the Project as a joint venture.
- For a period of six months following the exercise of the 75% Earn-in option (“Option Period”), Hexagon and USCM individually have the right, but not the obligation, to sell their remaining 25% interest in the Project for an aggregate payment of CAD\$250,000 in South Star shares (“Put Option”).
- During the Option Period, any expenditures will be shared pro rata. Failure by any party to pay their share shall result in a proportional dilution of interest in the Project.
- Should South Star’s interest in the Project increase to 90% or greater, South Star shall have the right, but not the obligation, to purchase the entire remaining interest not owned or under its control on a basis proportional to the Put Option.
- Within six months of the Ceylon Graphite Project achieving commercial production, South Star shall make a payment of CAD\$250,000 in South Star shares (“Production Bonus”). The Production Bonus shall be proportionately reduced to reflect any reduction in the remaining 25% interest held by the parties.

Hexagon, USCM and South Star are currently negotiating the proposed formal agreements to reflect the above terms, with the intention of finalising and executing those agreements (if final terms are agreed) during November 2021.

Hexagon has previously advised the market that it is in the process of refining its project portfolio so that it can focus on its Northern Territory Hydrogen initiative, as well as the McIntosh Nickel-Copper-PGM and Graphite Project in Western Australia. Hexagon is also working towards value accretion strategies for its Gold and Base metal assets at Halls Creek in Western Australia.

Authorisation

This announcement has been authorised by the Hexagon Board of Directors.

FOR FURTHER INFORMATION, please contact:

Hexagon Energy Materials Limited

Merrill Gray

Managing Director

info@hxgenergymaterials.com.au

+61 8 6244 0349

Media Enquiries

Nick Howe

GRACosway

nhowe@gracosway.com.au

+61 02 8987 2121

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, reducing 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 metals project also in WA. In the US, Hexagon has an 80 per cent controlling interest of the Ceylon graphite project in Alabama.

Hexagon is actively progressing value accretive transactions consistent with its strategy, skill set, and focus on clean energy and clean energy materials.

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

ABOUT SOUTH STAR BATTERY METALS CORP.

South Star Battery Metals Corp. is Canadian battery metals project developer focused on the selective acquisition and development of near-term production projects in the Americas. South Star's Santa Cruz Graphite Project, located in Southern Bahia, Brazil is the first of a series of industrial and battery metals projects that will be put into production. Brazil is the second-largest graphite-producing region in the world with more than 80 years of continuous mining. Santa Cruz has at-surface mineralization in friable materials, and successful large-scale pilot-plant testing (>30t) has been completed. The results of the testing show that approximately 65% of Cg concentrate is +80 mesh with good recoveries and 95%-99% Cg. With excellent infrastructure and logistics, South Star is carrying its development plan towards Phase 1 production projected in Q4 2022, pending financing. South Star trades on the TSX Venture Exchange under the symbol STS, and on the OTCQB under the symbol STSBF.

South Star is committed to a corporate culture, project execution plan and safe operations that embrace the highest standards of ESG principles based on transparency, stakeholder engagement, ongoing education, and stewardship. To learn more, please visit the Company website at <http://www.southstarbatterymetals.com>.

ABOUT CEYLON GRAPHITE PROJECT IN ALABAMA

The Ceylon Graphite Project is located on the northeast end of the Alabama Graphite Belt and covers approximately 500 acres in Coosa County, Alabama. The Project is a historic mine active during World Wars I & II.

In July 2019, the Company undertook metallurgical test work on a series of bulk samples excavated from the site which totaled over 100 tonnes. Bench-scale and pilot-scale tests were carried out on one composite sample and a 20-tonne bulk sample from Ceylon Mine Project.

Concentrate assaying 97.4% Total Graphite Content was produced through rougher, one re-grind and five cleaning stages. Recovery was high with only 1.6% of the graphite reporting to tails. As much as 8.2% of the final concentrate was premium +300 µm jumbo flake. The high concentrate grade and coarse size distribution highlight good market potential for Ceylon flake-graphite concentrate (See HXG ASX announcement 31/01/2020).

Ends