



ASX Announcement | 14 February 2022
Hexagon Energy Materials Limited (ASX: HXG)

Graphite Mineral Rights Earn-in Agreement unlocks value for Hexagon's McIntosh Project.

Highlights:

- The deal is in line with Hexagon management's strategic undertaking to focus on its core projects in Future Energy (Clean Hydrogen) and Future Energy Materials (Nickel, Copper and PGEs) whilst forming alliances to realise value creation across all of Hexagon's assets.
- Green Critical Minerals Pty Ltd (Green Critical Minerals), has signed an agreement to earn up to 80% of the Graphite mineral rights at Hexagon's McIntosh Project in the East Kimberley of Western Australia – all other mineral rights at McIntosh are retained by Hexagon.
 - A total of \$500,000 cash (\$300,000 on listing of the farm-in entity + \$200,000 on the first anniversary of listing) is to be paid to Hexagon, with a further \$3,000,000 in exploration expenditure to be invested by Green Critical Minerals over four (4) years, for 80% of the McIntosh Project Graphite mineral rights to be secured.
- Green Critical Minerals must complete the raising of capital/funds of not less than \$4,500,000 net cash by 31 August 2022, with all relevant ASX listing rules and listing approvals met.
- The McIntosh Project Graphite assets are a combined total Graphite resource of 23.8 million tonnes, grading 4.5% TGC, with 81% indicated (HXG Announcement 5 April 2019).
- Hexagon has the option, if expenditure commitments are not met, to buy back the Graphite mineral rights. The price would be determined by the stage of development, according to set milestones, but agreed to total not more than \$1,500,000.

Hexagon Energy Materials Ltd (ASX: HXG; "Hexagon" or "the Company") is pleased to announce that a Binding Terms Sheet Earn-In Agreement has been signed with Green Critical Minerals Pty Ltd (Green Critical Minerals), that will bring cash and exploration funding to the McIntosh Project's Graphite resources and leverage off past investment from Hexagon.

A total of \$500,000 cash (\$300,000 on listing of the farm-in entity + \$200,000 on the first anniversary of listing) is to be paid to Hexagon and \$3,000,000 of exploration expenditure over four (4) years is to be invested by Green Critical Minerals to secure 80% of the Graphite mineral rights at the McIntosh Project.



1 BACKGROUND

1.1 ABOUT HEXAGON ENERGY MATERIALS LIMITED

Hexagon's goal is to participate in the large, global, Future Energy and Future Energy Materials markets.

The global requirement for cleaner energy solutions, driven by climate change, has accelerated. New commitments to emissions targets are being made by individuals, communities, corporations and governments. These targets are driving innovation and the adoption of new, sustainable sources of energy that lower climate change impacts and are triggering investment in supporting technologies. This is having flow on effects across the raw material inputs/supply chains feeding into these new supporting technologies, across Nickel, Copper, Graphite, PGEs and Lithium.

Hexagon holds a highly prospective portfolio of assets/projects in Future Energy Materials, namely- Graphite, Nickel, Copper and PGEs, that are well positioned for development, and which have been progressed via systematic geophysical, geochemical and structural geology re-interpretation work and for Graphite drilling and metallurgical testing, completed over several years.

Hexagon undertook a detailed strategic review of the Company's asset portfolio in 2021 which defined a clear strategy for growth. Key to this is the creation of value by securing and leveraging technical and commercial alliances by commodity. By doing this, Hexagon will bring additional expertise and funds into the Company's existing asset base, while allowing Hexagon management to focus on its core projects.

This binding Graphite mineral rights only Earn-in Agreement for McIntosh allows Hexagon to realise value through the existing Graphite resources while it progresses its planned 2022 Nickel, Copper and PGE drilling at McIntosh, building on the substantial historic and past exploration work.

Green Critical Minerals will seek to create value from the Graphite resource already established at McIntosh by expanding these resources for use in lithium battery manufacture.

Over the past 18 months, Hexagon has undertaken a detailed review of all past McIntosh data and analysis focussing on Ni-Cu-PGEs. Sulphide mineral intersections had previously been recorded at the McIntosh Project during drilling for Graphite (ASX Announcement by HXG, previously Lamboo Resources Limited, 27 November 2015) but had not been analysed for Ni-Cu-PGEs due to the focus on Graphite. Past McIntosh drill core being held in Hexagon's warehouse has now been retrieved, resampled and sent for analysed for Ni-Cu-PGE.

As set out in Hexagon's 2 February 2022 McIntosh Update ASX announcement, in addition, an historical drill intersection of PGE mineralisation within mapped Panton Suite of 20 m @ 0.75 g/t 3PGE plus other intersections were found during recent further interrogation of historical data.

Furthermore, the initial Ni-Cu-PGE interpretation of the around 5,200 soil samples collected during the 2021 field season has now been completed by Dr Dennis Arne, Director of Telemark Geosciences, with final interpretations expected to lead to further market updates shortly.

The Hexagon team, as a result of all of these developments, is on track to further refine its McIntosh Project 2022 field season work plans which include more granular geophysics and drilling.

As previously announced, negotiations are underway with established ASX listed gold companies who hold ground near Hexagon's Halls Creek ground holdings in Western Australia in relation to a similar Earn In agreement on Hexagon's Halls Creek project (HXG's December Quarterly, 31 January 2022). Market updates will be made as these negotiations progress.

In late 2021, Hexagon signed an Earn-in Agreement with US future energy materials business South Star Metals Corp. (South Star) over Hexagon's Ceylon (Alabama, USA) Graphite project. It too brings

additional funding to Hexagon's projects and is expected to accelerate project development through the skills the South Star team brings including specialist commodity/end market knowledge (HXG Announcement 6 December 2021).

1.2 ABOUT THE McINTOSH PROJECT

Hexagon holds 17 tenements covering 542 km² of ground in the East Kimberley of Western Australia known as the McIntosh Project. Between 2015 and 2019 Hexagon (initially as Lamboo Resources Limited which subsequently became Hexagon) focused solely on Graphite project development. Substantial drilling programs, metallurgical test work programs, market analysis and project commercial analysis were completed over this period.

Green Critical Minerals will continue this work and plans to further progress it through its highly experienced Graphite team.

Hexagon will remain tenement owner and focus on exploring for Ni-Cu-PGEs at McIntosh.

2 KEY TERMS

The key terms of the Binding Terms Sheet signed between Hexagon and Green Critical Minerals are:

- Green Critical Minerals has the right to earn up to 80% interest in the Graphite Mineral Rights **only** across Hexagon's McIntosh Project tenements. The tenements will remain wholly held/managed by Hexagon.
- On completion of an Earn-in of up to 80% by Green Critical Minerals, Hexagon and Green Critical Minerals contemplate entering into an unincorporated Joint Venture "JV" in respect to further developing a Graphite project, i.e., moving to Decision to Mine "DTM". At which time Hexagon will be free carried to DTM.
- To reach an 80% interest in the Graphite Mineral Rights, Green Critical Minerals must:
 - Complete the raising of capital funds, of not less than \$4,500,000 by 31 August 2022, with all relevant ASX listing rules and listing approvals met.
 - Pay \$300,000 to Hexagon on capital raise completion.
 - Pay \$200,000 to Hexagon one year thereafter or on Earn-in progression to Stage 2 (whichever is earliest).
 - Meet the Stage 1 expenditure requirement by spending A\$1 million on exploration within one year.
 - Meet the Stage 2 expenditure requirement by spending a further A\$1 million on exploration within a further 2 years.
 - Meet the Stage 3 expenditure requirement by spending another A\$1 million on exploration within a further 2 years.
- If the Stage 2 or 3 expenditure requirements are not met Hexagon will have the right to buy the Graphite mineral rights back at between \$(750,000 and 1,500,000) depending on Stage.
- After stages 1, 2 and 3 are met, it is contemplated that a Joint Venture be formed, to progress within 2 years to Decision to Mine with Hexagon free carried to DTM.
- Green Critical Minerals may extend the Development Period after completing the Stage 3 earn in for a further 24 months by payment to Hexagon of \$3 million.
- If DTM is not achieved within 2 years after completion of the Stage 3 earn in, Hexagon has right to buy back the Graphite Mineral rights for a payment of \$1,500,000.
- At DTM, Hexagon has right to sell its remaining stake with Green Critical Minerals having a first right of refusal.
- Green Critical Minerals has a right of first refusal in the event of a proposed sale of any Tenement by Hexagon.

See Tables 1 and 2 below for further information.

Table 1: Cash payments and timings agreed between the parties in the Terms Sheet:

MILESTONE	DETAILS	ACTIVITY	A\$ AMOUNT	PAYMENT PERIOD
Satisfaction Date	Completion of Capital Raising	Upfront Payment 1	A\$300,000	Within 3 Business Days
		Take Delivery & Storage Graphite Samples or assume Warehouse lease.	NA	Within 10 Business Days
	Outstanding Upfront Payment	Upfront Payment 2	A\$200,000	Earlier of; 1 Year After Satisfaction Date or With Stage 2 Earn-In
			(\$500,000 Total)	

Table 2: Exploration expenditure payments and timings agreed between the parties in the Terms Sheet and other key milestones:

MILESTONE	EARN IN NOTICE	TOTAL INTEREST	ACTIVITY	\$ AMOUNT	EARN IN PERIOD START DATE	EARN IN PERIOD END DATE
Stage 1 Earn In	NA	30%	Stage 1 Expenditure Requirement	A\$1,000,000	Satisfaction Date	Within 1 Year of Satisfaction Date
Stage 2 Earn In	Within 30 days of Stage 1 Earn-In Satisfied	51% (Further 21%)	Stage 2 Expenditure Requirement	A\$1,000,000	Stage 1 Earn-In Satisfied	Within 2 Years of Satisfaction Date
Stage 3 Earn In	Within 30 days of Stage 2 Earn-In Satisfied	80% (Further 29%)	Stage 3 Expenditure Requirement	A\$1,000,000	Stage 2 Earn-In Satisfied	Within 4 Years of Satisfaction Date
Joint Venture						
Decision to Mine				Green Critical Minerals Funded		Within 2 years of Green Critical Minerals earning 80%

3 SUMMARY AND MOVING FORWARD

Hexagon's management team continues to deliver on its strategy to create and realise value for shareholders by focusing on core projects in Future Energy (Clean Hydrogen) and Future Energy Materials (Nickel, Copper and PGEs) whilst securing and leveraging key technical and commercial alliances, by commodity, across the rest of Hexagon's asset/project portfolio, as shown in Figure 3 and below.



This deal marks the third significant transaction in as many months including the Ceylon Graphite/South Star deal in December 2021 and the FRV Memorandum of Understanding in relation to Hexagon's Hydrogen projects, in January 2022.

Management expects to continue to deliver against this strategy through further value creating deals in the coming months. Both across its existing asset base as well as by establishing new assets/projects, partnerships and opportunities. Particularly in relation to the Company's Clean Hydrogen plans.

Hexagon's Managing Director, Merrill Gray, said

"This deal delivers against Hexagon's Future Energy Materials value creation strategy. Hexagon will benefit from additional cash and additional exploration expenditure at McIntosh, while we simultaneously focus on developing the Ni-Cu-PGE potential there is at McIntosh.

"We look forward to working collaboratively with the Green Critical Minerals team, sharing information and on ground resources and building substantial value off past Hexagon investment in Graphite."

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 future energy project development and energy materials exploration and project development.

Hexagon is developing a business to deliver decarbonised Hydrogen (Blue Ammonia) into export and domestic markets, at scale. The Pre-Feasibility Study for the Northern Territory (Pedirka) Hydrogen Project, utilising gasification and Carbon Capture and Storage (CCS) is close to completion, with a range of business improvement opportunities identified being progressed.

Hexagon's plan is to use renewable energy in Clean Hydrogen production to the greatest extent possible from the outset, transitioning from Blue to Green Hydrogen production on a commercial basis, over time.

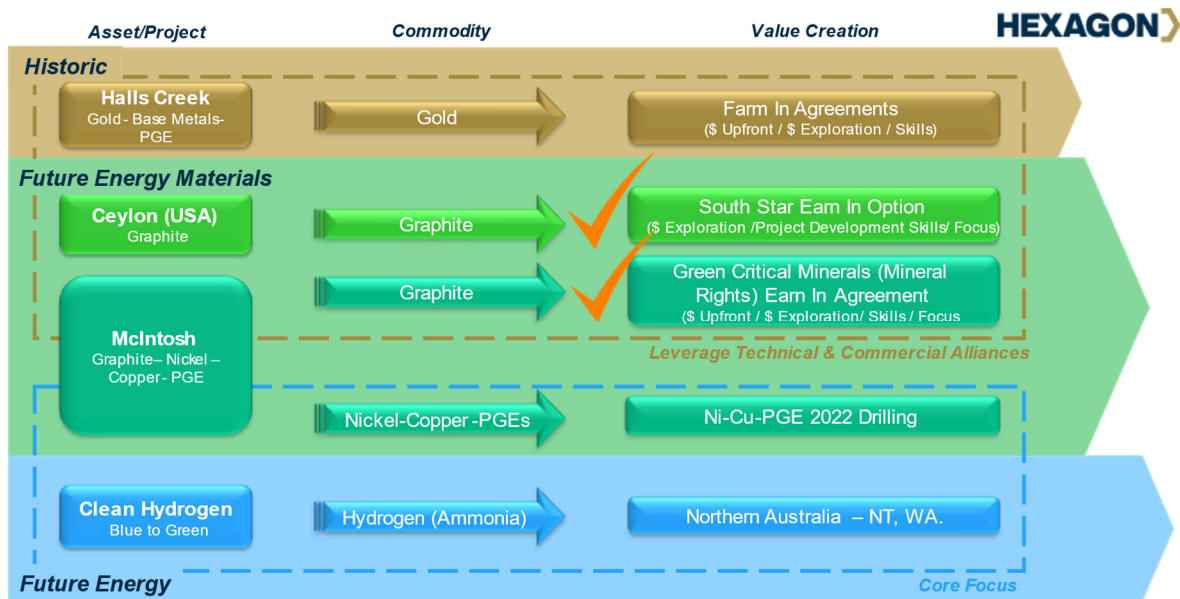
Supporting this strategy in January 2022 Hexagon signed a Memorandum of Understanding with renewable energy company FRV Services Australia Pty Ltd (51% owned by Fotowatio Renewable Ventures S.L. and 49% owned by OMERS Infrastructure part of OMERS Canadian defined benefit pension plan fund) which has almost 800MWdc of Australian PV assets built or under construction in Australia.

Hexagon also owns the McIntosh Nickel-Copper-PGE and Graphite project in Western Australia (WA) and the Halls Creek Gold and Base metals project in WA. In the USA, Hexagon has an 80 per cent controlling interest of the Ceylon Graphite project located in Alabama, over which South Star Battery Materials Corp. (TSXV: STS) on 7 December 2021 signed an Option to earn up to 75% in.

Hexagon is actively in the process of securing and leveraging technical and commercial alliances, by commodity, across its portfolio of assets. In conjunction with developing its core future energy and energy materials projects, consistent with its strategy and skill set.

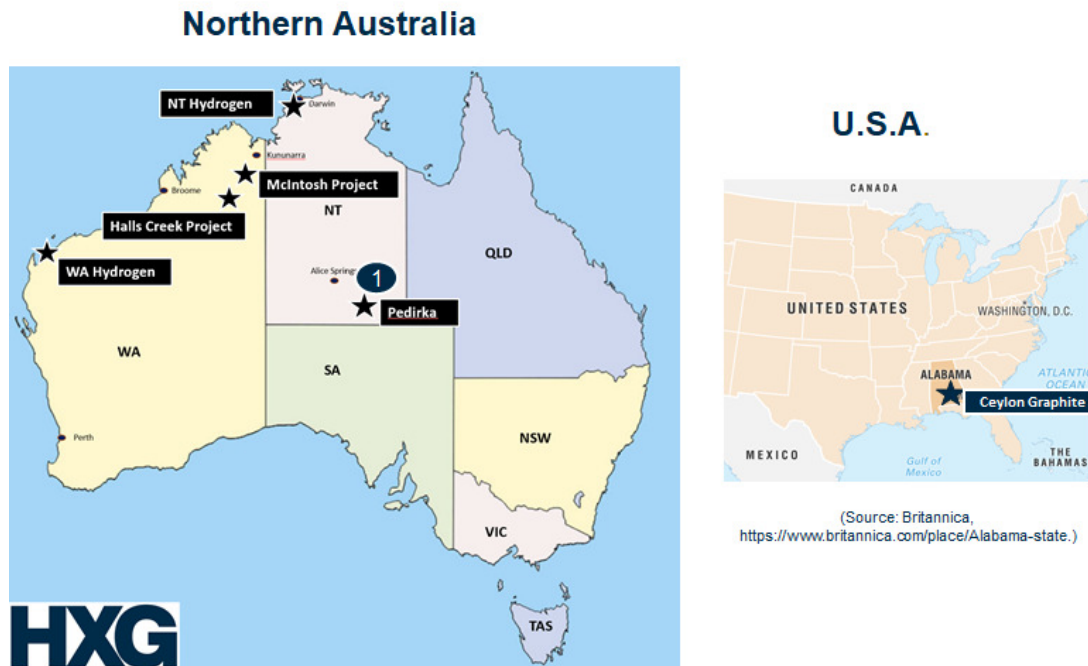
Figures 3 and 4 below show Hexagon's Strategy and progress being made against this and Hexagon's Assets/Project Portfolio by Location.

Figure 3: Hexagon’s Strategy.



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Figure 4: Hexagon’s Assets/Project Portfolio by Location.



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

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