



ASX Announcement | 29 April 2022
Hexagon Energy Materials Limited (ASX: HXG)

January – March 2022 Quarterly Activities Report

Hexagon confirms fully funded McIntosh drilling-focussed 12-month growth plans.

Hexagon Energy Materials Limited (ASX: HXG) ('Hexagon' or 'the Company') is pleased to provide this quarterly activities report for the quarter ending 31 March 2022 (Q3 FY22).

EXECUTIVE SUMMARY

The March 2022 quarter saw the crystallisation of Hexagon's best pathway forward to realise value from its existing asset base, with a 12-month growth plan defined and budgeted centred on drilling at McIntosh and Halls Creek.

This growth plan is now fully funded as a result of the recently completed capital raise (A\$1.91 million) which closed on 27 April 2022 (Post March quarter end).

During the March quarter the Pedrika (Northern Territory (NT)) Clean Hydrogen project Pre-feasibility Study (PFS) was completed confirming more commercially attractive, large blue Ammonia project opportunities in North Western Australia leading to Hexagon's WAH₂ Project being established.

Hexagon's 12-month growth plans includes:

- Drilling of three "Drill-Ready" Ni-Cu-PGE targets within the greater Melon Patch prospect at the McIntosh Project in the Kimberley in Western Australia (ASX Announcement 13 March 2022)
- Drilling of Au-Base Metal – PGE targets at the Hall's Creek Project also in the Kimberley (ASX announcement 7 December 2021)
- Progression of the WAH₂ project through a Scoping Study where natural gas supply Carbon Capture and Storage (CCS) toll service, plant site and strategic partnership investment agreements/options are secured.

INTRODUCTION

The March 2022 quarter saw Hexagon further rationalise, consolidate, refine, and focus its 12-month growth plan to substantially deliver into its Future Energy Materials and Future Energy long-term growth strategy, as approved by the Board in late 2021, illustrated in Figure 1.

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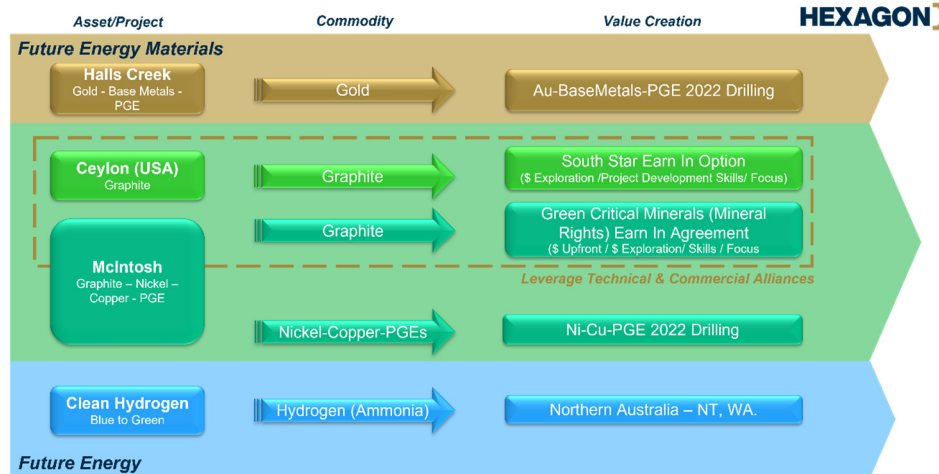


Figure 1: Hexagon's Strategy 2022

1. McIntosh Ni-Cu-PGE

Hexagon's McIntosh Project in the West Australian (WA) Kimberley area lies in the centre of a highly prospective for Ni-Cu-PGE geological region. McIntosh is surrounded by well-established Nickel producers and exporters, past PGE producers and exporters, and by companies with substantial Ni-Cu-PGE JORC resources. Hexagon's McIntosh Project relative to surrounding Ni-Cu-PGE deposits and the market capitalisation of the companies who hold these is shown in Figure 2 and further detailed in Table 1 below.

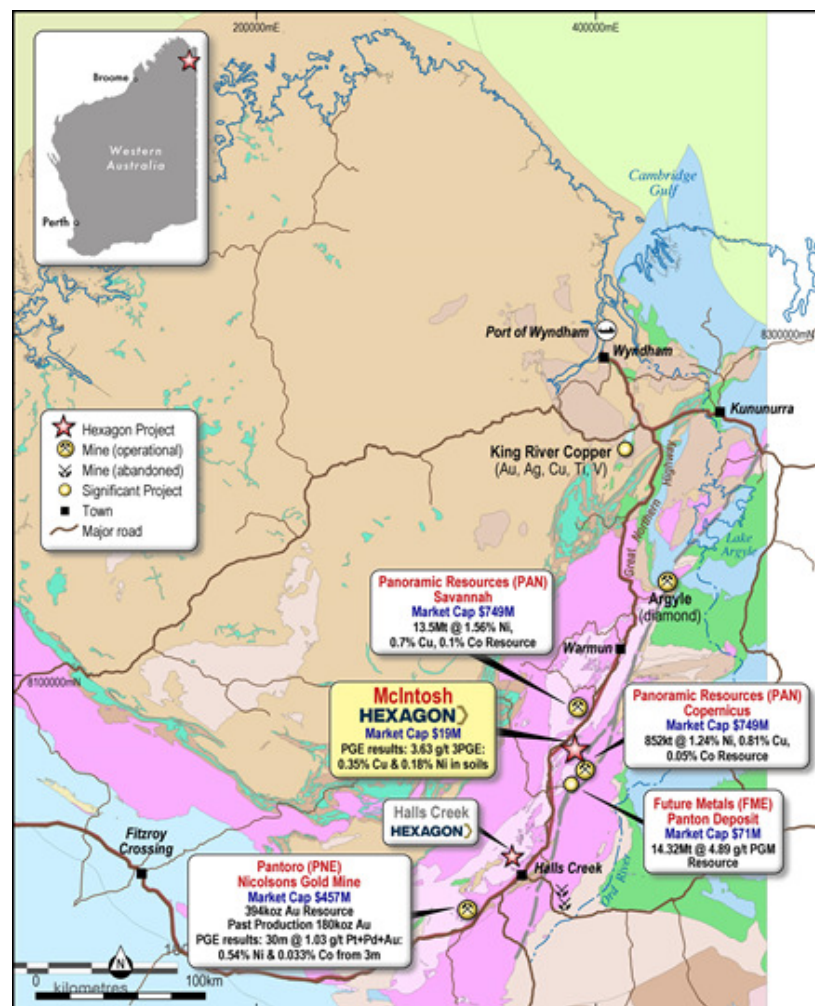


Figure 2: Companies in Ni-Cu-PGE production and/or with Ni-Cu-PGE JORC resources near McIntosh

	Deposit Name	ASX Code	Company Name	Market Cap. [\$ M] (7/4/2022)	Source of Market Cap. information	JORC Resources etc	Resources information sources and Comments
1	Savannah	PAN	Panoramic Resources Ltd	749	ASX website	13,500,000t @ 1.56% Ni, 0.7% Cu, 0.1% Co	https://panoramicresources.com/savannah-project/mineral-resource-savannah-project-may-2020/
2	Copernicus	PAN	Panoramic Resources Ltd	749	ASX website	852,000 t @ 1.24% Ni, 0.81% Cu, 0.05 % Co with Reserves of 784,000 t @ 1.1% Ni, 0.67% Cu, 0.05 % Co (Mined Resource): 132,000 t @ 0.97% Ni, 0.52% Cu, 0.3% Co	Penna, P: 9 November 2016 WAMEX Report A110234 "BCI Iron Limited Final Surrender Report For the Period 7 October 2008 to 5 October 2016 E80/3878", page 12 of 18. Unclear whether Au and PGE's is routinely assayed for.
3	Panton Deposit	FME	Future Metals NL	71	ASX website	14,320,000t @ 4.89 g/t PGM	https://future-metals.com.au/panton-pgm-project/ 22 square kilometer holding
4	Nicolsons Gold Mine	PNR	Pantoro	457	ASX website	394,000 oz contained Au Past Production: 180,000 oz Au PGE results: 30m @ 1.03 g/t Pt+Pd+Au (3PGE): 0.54% Ni & 0.033% Co from 3 m	PNR ASX Announcement, 10/1/22 ASX Announcement 15/11/22 https://app.sharelinktechnologies.com/announcement/asx/0fb756c82ef34c79a753e17a92211d87
5	McIntosh	HXG	Hexagon Energy Material Ltd	19	ASX website	PGE Results: 3.63g/t 3PGE, 0.35% Cu, 0.18% Ni in soils Historic drill results: 20 m @ 0.75 g/t 3PGE plus other intersections	HXG ASX Announcement, 21/3/22 https://hxgenergymaterials.com.au/wp-content/uploads/2022/03/Three-Ni-Cu-PGE-Drill-ready-Targets-Confirmed-at-McIntosh.pdf HXG ASX Announcement 2/2/2022 542 square kilometer holding 2022 Drilling program planned

Table 1: Details of Companies in Ni-Cu-PGE production and/or with Ni-Cu-PGE JORC resources near McIntosh

During the March quarter the results from Historic PGE drilling at McIntosh were announced. (ASX Announcement 2 February 2022). These historic results of 20 metres at 0.75 g/t PGE were built upon, in terms of highlighting McIntosh's PGE prospectivity by the 2021 field season soil sample analytical results of up to 3.63g/t 3 PGEs subsequently announced (ASX Announcement 2 February 2022).

Drill core from past Graphite focussed drilling not previously analysed for Ni-Cu-PGE was retrieved from Hexagon's warehouse. This core is sourced from where potential sulphide mineralisation had been identified during core logging and has now been submitted for assaying during the quarter with results and interpretation pending.

Hexagon is focussed on unlocking the Ni-Cu-PGE potential that historic drilling and recent soil sampling program results indicate at McIntosh.

A multi-hole Reverse Circulation (RC) drilling program comprising of around 1,000 metres to not more than 130 metre depth from surface, cased so downhole geophysics can be completed, is planned for McIntosh over the coming months. This is due to commence in May/June depending on weather and drill rig availability. All necessary regulatory requirements including heritage approvals have been applied for and are being progressed and the drill rig and field staff are currently being secured.

Exploration drilling co-funding has been secured by Hexagon as part of Round 24 of the Western Australian Government Exploration Incentive Scheme (EIS) to support this drill program.

In addition to drilling, further geophysical survey (Inverse Polarisation (IP)) work will take place at Melon Patch and new lines/surveys will be undertaken at Melon Patch North and Mable Hill. Infill soil sampling across the 50 Km² already covered will take place and new areas will be sampled, with additional target identification expected.

2. Halls Creek – Au – Base Metals - PGEs

Over the past two years systematic, structured geological assessments and drill target identification has also been completed across Hexagon's Halls Creek Project. The Halls Creek project lies approximately 100 kilometres to the South West of McIntosh.

Drilling will also take place during the 2022 field season at Halls Creek, around 400 metres to depths of 130 metres from surface. All necessary regulatory considerations including heritage approvals have been applied for and are progressing. Drill rig and field staff sharing with McIntosh will be possible.

Exploration drilling co-funding secured by Hexagon as part of Round 24 of the Western Australian Government EIS will also be accessed for this drill program.

Further geophysical and geochemical work at Halls Creek will be undertaken, budget permitting.

3. Graphite

The March quarter also saw Hexagon leverage new expertise and secure further investment funds to develop its Graphite assets through a Graphite Mineral Rights Only Earn-In deal with Green Critical Minerals Pty Ltd (GCM) (ASX Announcement 14 February 2022).

South Star Metals Corp (South Star) is continuing to progress work on Hexagon's Ceylon Graphite project in Alabama in the USA under the Earn-In deal struck in late December 2021 (ASX Announcement 8 December 2021).

4. Clean Hydrogen

During the quarter the Pedirka Project PFS was completed. This led to the WAH₂ becoming Hexagon's focus moving forward.

Post March quarter end, on 27 April 2022, Hexagon completed a capital raise of \$1,911,000 (ASX Announcement 27 April 2022) to fully fund Hexagon's 12-month growth plans.

PROJECT DETAILS

During the March quarter Hexagon continued to progress a range of activities across its portfolio of assets/projects as follows:

1. Future Energy Materials

1.1 McIntosh Ni-Cu-PGE

During the March quarter Hexagon announced historic drill intersection results for PGE mineralisation within mapped Pantan Suite at McIntosh of 20 m @ 0.75 g/t 3PGE (ASX Announcement 2 February 2022). As shown in Figures 3 and 4 below.

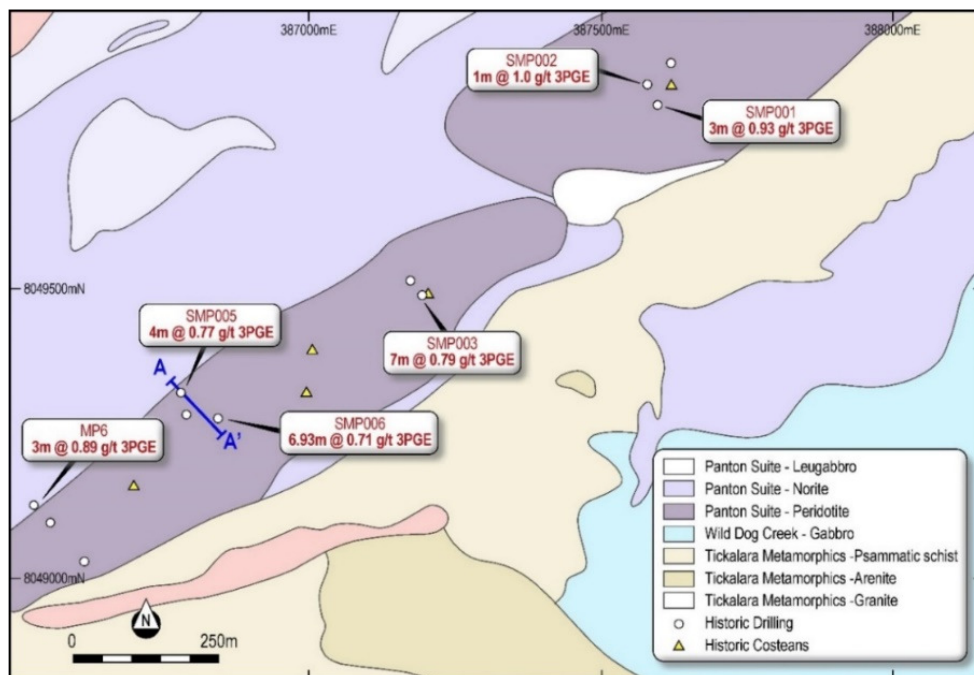


Figure 3: Melon Patch Prospect map showing Historic drilling and Costeans with significant intercepts within mapped Pantan Suite

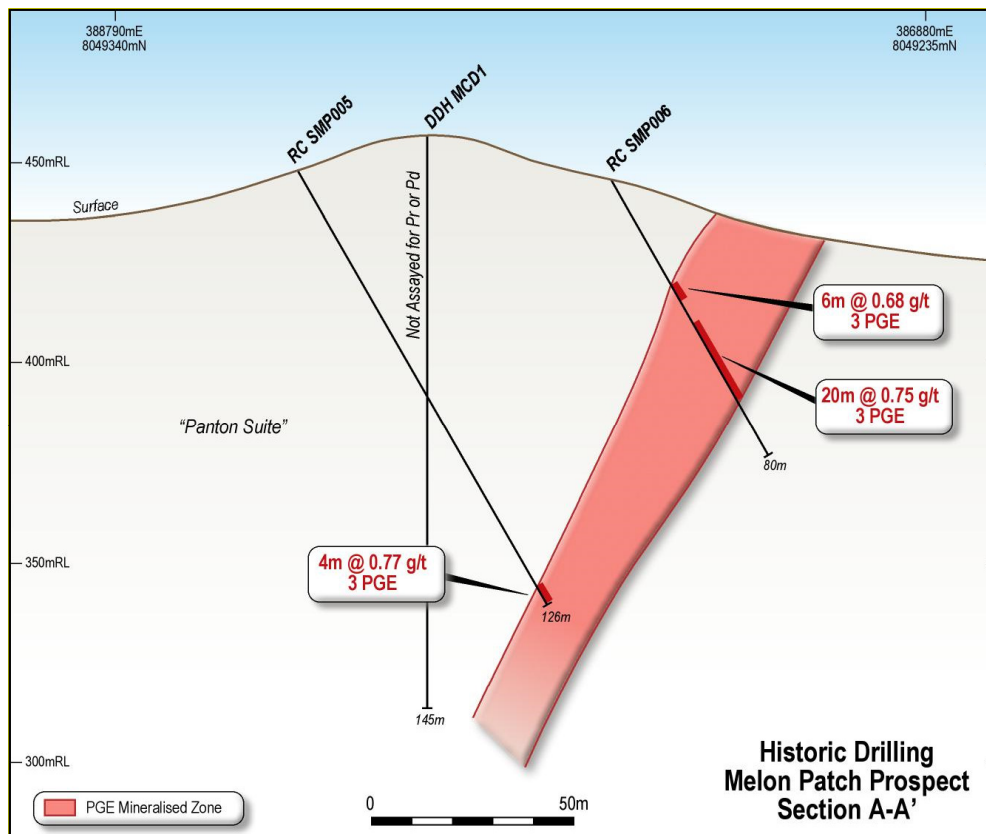


Figure 4: Section A-A from Melon Patch prospect showing significant 3PGE intercepts, modified from WAMEX Report A73148

Hexagon subsequently announced that outstanding results had been recorded from soil sample analyses (up to 3.63g/t 3PGE) on 2021 field season samples collected at McIntosh, with three-“Drill-Ready” targets identified within the greater Melon Patch prospect. Other significant results included:

- MIS00399 @ 3.63g/t 3PGE, 0.35% Cu, 0.18% Ni,
- MIS00746 @ 3.01g/t 3PGE, 0.27% Ni, and
- MIS01712 @ 3 g/t 3PGE, 0.24% Ni.

Over 5,000 samples were collected and analysed and Dr. Dennis Arne, of Telemark Geosciences Pty Ltd, then assessed the results. A further 17 highly prospective Ni-Cu-PGE targets were identified across both the greater Melon Patch, Melon Patch North and Mabel Hill prospects. (ASX Announcement 21 March 2022)

All three areas are shown on Figure 5 below.

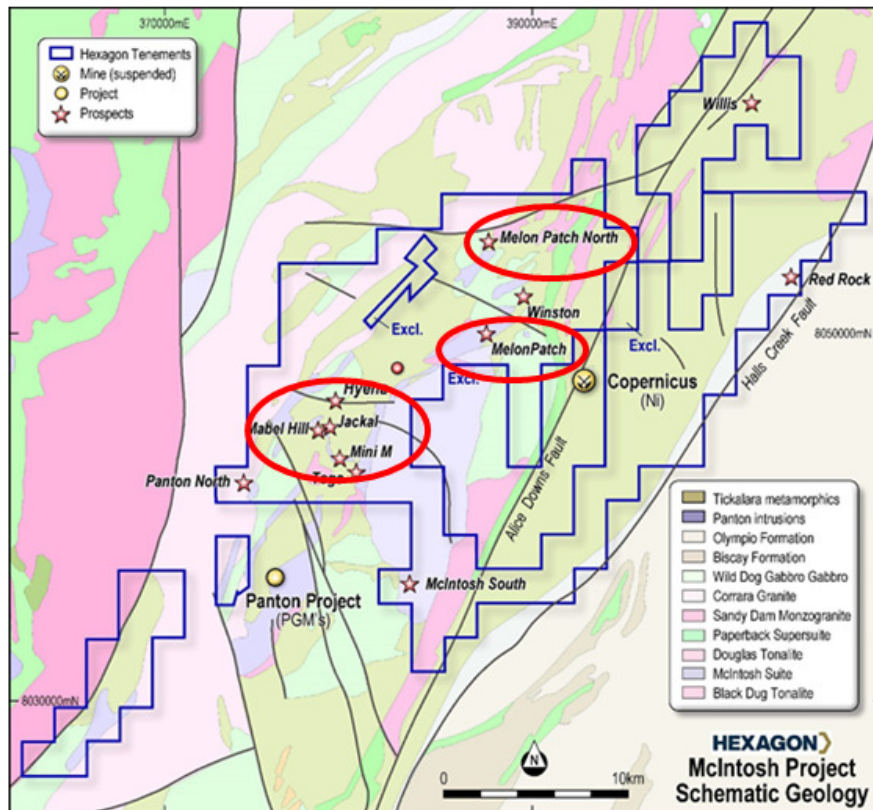


Figure 5: Schematic geology of the McIntosh Project area showing target areas to be drilled during the 2022 field season

1.2 McIntosh - Graphite

During the quarter Hexagon announced an Earn-In agreement in relation to Graphite mineral rights Only at McIntosh with GCM. Hexagon's past McIntosh Graphite investment led to a combined total Graphite resource of 23.8 million tonnes, grading 4.5% TGC, with 81% indicated being established (ASX Announcement 5 April 2019). Metallurgical test work on bulk samples and considerable project development assessments were also undertaken. GCM plans to take all of this work forward within the current Graphite market context, through a graphite focussed company, either by an Initial Public Offering (IPO) or a Reverse Take Over (RTO).

GCM has the potential to earn up to 80% of the Graphite mineral rights at McIntosh Project.

A total of \$500,000 cash is payable to Hexagon (\$300,000 on listing of the farm-in entity + \$200,000 on the first anniversary of listing), and a further \$3,000,000 in exploration expenditure to be made by GCM over four years, to secure 80% of the McIntosh Project Graphite mineral rights.

GCM needs to 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.

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.

1.3 Alabama, USA - Graphite

At Hexagon's Ceylon Graphite Project, located in Alabama in the USA, under an Earn-In agreement struck in December 2021 (ASX Announcement 13 December 2021) South Star Metals Corp (TSXV: STS, OTCQB: STSBF) (South Star) has continued to make progress over the quarter including:

- a) Negotiation of a contract with North Carolina State University to process approximately 1 tonne of ore and produce around 15 kilograms of concentrate to confirm metallurgical recoveries, grades, and other parameters. This information is to then be used to develop a conceptual flow sheet and complete mass balance and water balances and based on South Star's Santa Cruz Graphite plant and project development experience, further detail Ceylon's development plan.
- b) South Star also plans to test representative ROM samples and concentrates for physical and chemical characteristics, including using QEMSCAN, to better understand the Ceylon deposits mineralogy and contaminants.
- c) A contract to start a value-add testing program covering the concentrates general characteristics for purification, micronization, expandability and suitability is also being progressed with the aim of establishing the Ceylon project graphite's use in different battery technologies.
- d) Subject to further funding availability by South Star:-
 - An initial drilling program to underpin a preliminary technical report setting out maiden resource definition potentially at Ceylon is planned. South Star have sourced quotes for drilling, sampling, analytics, survey, and resource definition in relation to this.
 - Initial wetland delineations as part of working up mine development environmental approvals are also planned along with a first pass at environmental geochemical characterisation of ores and waste rock.

South Star are also in early stages of planning in relation to overall District Planning Authority (DPA) approvals for the Ceylon project. Further Ceylon project updates will be made in due course.

1.4 Halls Creek – Au / Base Metals Project and PGE

During the March quarter a final payment was made through issue of shares to consolidate the ownership of Hexagon's Halls Creek tenements package which totals 430km². Hexagon exercised a Call Option that was part of a September 2019 tenement purchase agreement and issued shares to a total value equivalent of \$30,000 to acquire the outstanding 25% of the tenements and complete this consolidation.

Hexagon's Halls Creek Project has undergone systematic, structured geological review by Hexagon's geology team over the past two years with the 2021 AEM VTEM™ Max survey targeting potential Volcanic Massive Sulphide (VMS) style mineralisation within the Kongie Park formation completed. This identified seven high, fifteen moderate, and two lower priority anomalies/potential drill targets as shown in Figure 6 below (ASX Announcement 12 December 2021).

During the December 2021 quarter multiple established, experienced, and well-funded ASX listed Australian exploration companies accessed Hexagon's Halls Creek data room. In the March quarter selected party negotiations in relation to an Earn-In agreement, like those executed with South Star and GCM in relation to Graphite, took place. The Hexagon Board this quarter decided to undertake a drilling program at Halls Creek during the 2022 field season using part of the funds secured during the recent capital raise on the basis that Hexagon is best placed to unlock value here for shareholders.

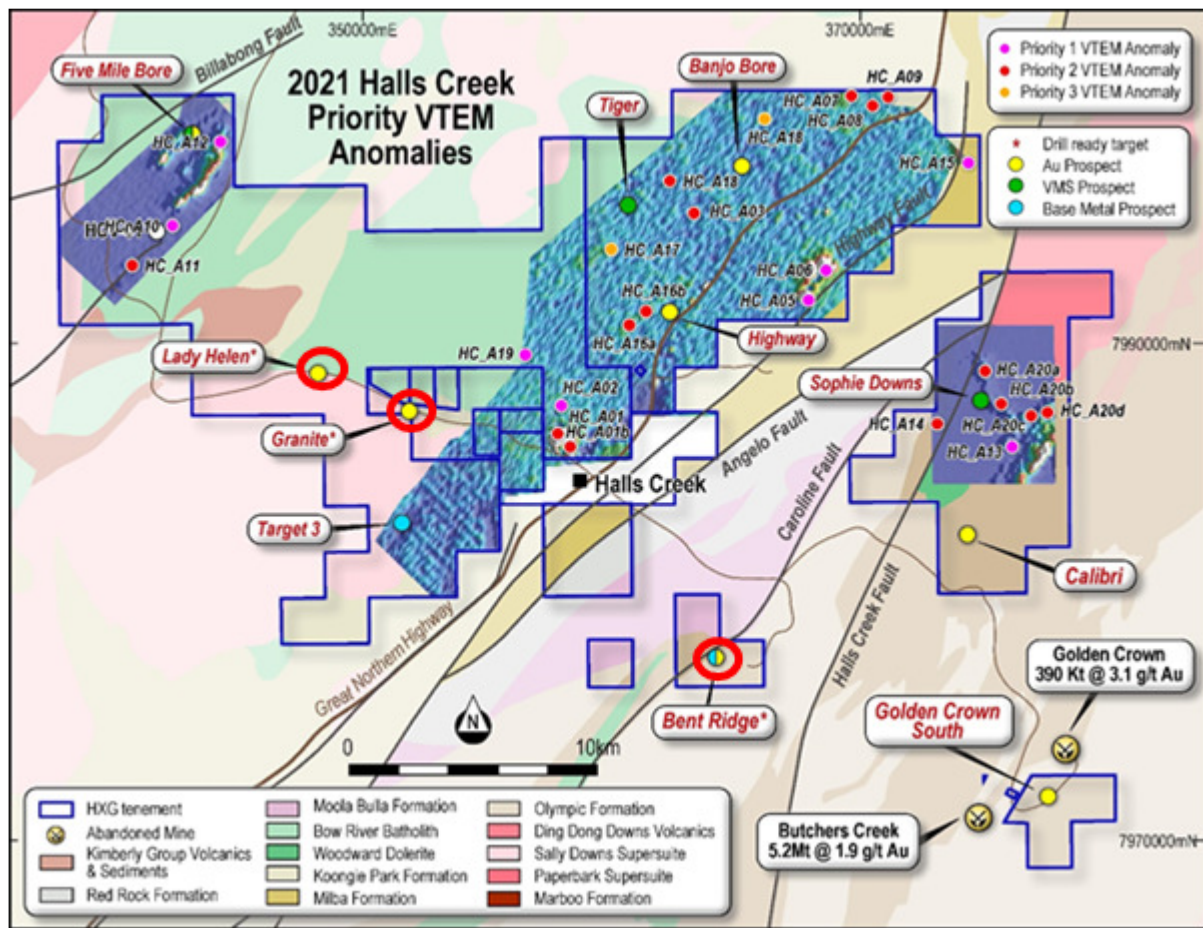


Figure 6: Drill targets at Hexagon's Halls Creek Project

2 Future Energy Clean Hydrogen (Blue to Green)

2.1 Pedirka Clean Hydrogen Project

On 28 February 2022 Hexagon completed the Pedirka Clean Hexagon PFS.

The PFS completed, while built upon the initial Pedirka scoping study, was undertaken at a greater (PFS) level of detail. A fully integrated and costed (OpEx and CapEx) business model review was completed, providing input into a scenario based (multi-location) financial model. An extended scope approved by the Board, expanded the PFS to analyse broader routes to market.

Key Findings of the Pedirka PFS were:

- The production of Ammonia (as a hydrogen carrier) is more commercially viable than liquid hydrogen at this time due to the capital and operational costs associated with handling and transporting liquid hydrogen as a product. Technology developments will, over time, create shifts that Hexagon will position itself on a commercial basis to capitalise on in terms of transitioning to liquid hydrogen production. Every effort to create optionality that positions Hexagon positively for the future is being taken.
- Carbon Capture and Storage (CCS) or decarbonisation is a major cost consideration in selecting the project location. Minimising the cost of transporting CO₂ for CCS and being able to tap into multi-user, established infrastructure based business models, to minimise total CCS costs/toll charges for Hexagon's clean Hydrogen projects is crucial.
- Minimising gross CO₂ production is also a key driver of profitability. The use of low-cost renewables as the source of energy in the hydrogen conversion process, Air Separation Unit (production of Nitrogen as part of NH₃ production) and on-site CO₂ capture and compression processes, and the

use of natural gas rather than Pedirka coal as the hydrocarbon feedstock, will significantly lower Hexagon's total CCS costs and requirements, leading to higher return generation potential.

- Locating the hydrogen plant at or near a substantial pre-established port facility brings significant commercial benefits to the project in terms of construction costs and ongoing operational expenses (OpEx) for end product supply to customers.
- Locating the hydrogen plant adjacent to feedstock supply is also critical to minimising raw material logistics costs and, as a result, maximising commercial returns.
- Low-cost access to local process water supply and infrastructure also impacts commercial returns.
- Participation in, and benefit from capitalisation on, well-funded hydrogen hub investments that share substantial upfront capital costs (CapEx) on key infrastructure (ports/water related) would mean improvements to commercial returns.

As a result of these findings and the opportunities identified through the PFS work, Hexagon positioned itself during the quarter to pursue a lower risk, lower CapEx and OpEx, and potentially more rapid and cost-effective route to market in establishing its clean Hydrogen business. That is, to the business model anticipated in the Pedirka scoping study.

Hexagon's focus on progressing clean hydrogen opportunities in more attractive locations is an important step in positioning Hexagon to get a 'foot hold' and substantially grow as the global clean Hydrogen market emerges. (ASX Announcement 28 February 2022).

2.2 WAH₂

Hexagon's North Western West Australian Clean Hydrogen project, WAH₂, was introduced to the market on 5 March 2022 (ASX Announcement 5 March 2022) and has been progressed by the Hexagon team over the quarter.

The Hexagon team has leveraged off established relationships and networks to progress a number of negotiations in relation to natural gas supply, CCS toll services provision, and securing of a WAH₂ plant site and renewable energy supply. During the March Quarter Hexagon signed a non-binding Memorandum of Understanding (MoU) with well-established, large scale, renewable energy company, FRV Services Australia Pty Ltd (FRV Australia) (ASX Announcement 24 January 2022). FRV Australia and Hexagon confidentially collaborated on a grant application to AusIndustry in relation to a clean hydrogen hub located at Middle Arm, Darwin in the Northern Territory and this MOU built on this.

The March quarter saw discussions to formalise how FRV Australia and Hexagon might collaborate on WAH₂ more broadly in the North West of Western Australia and opportunities elsewhere in Australia progress.

Working with FRV Australia, Hexagon could secure substantial, cost effective renewable energy supply for clean Ammonia production and longer term for clean Hydrogen production with less CO₂ generated, resulting in less cost in CCS technology and operation, therefore lowering overall production costs for Hexagon's projects.

Post March quarter end (on 23 April 2022) AusIndustry advised that Hexagon/FRV Australia's joint Middle Arm Hydrogen Hub application had not been successful in securing a grant.

Initial plant engineering and design completed during the March quarter by Genesis Energy will be used as basis for further work. A detailed scope of work and schedule to progress WAH₂ through scoping, PFS and into DFS through to operation has been developed in conjunction with an overall WAH₂ budget and potential funding/finance plan.

Strategic partnership discussions pertaining to investment as well as blue Ammonia offtake have commenced with global trading houses during the March quarter and are continuing.

Hexagon's management team see the global Clean Hydrogen market as emerging similarly to the Liquefied Natural Gas (LNG) market, with a similar trajectory in strategic investment across the value chain equity wise in Plant and Equipment and in downstream trading.

Figure 7 below shows examples of this approach:



Figure 7: Investment positioning across the LNG value chain provides a case study for Hydrogen

JERA's February 2022 tender for Ammonia supply for coal firing in coal fired power plants was a first move which many parties have been monitoring on Ammonia offtake brought by the team.¹

Hexagon's WAH₂ project has established a practical, staged (risk and level of investment contained) way forward to Clean Hydrogen for parties to get in on the ground floor and truly understand the market as it develops, allowing them to capitalise on decarbonisation opportunities as they emerge.

Hexagon's Clean Hydrogen end market focus is blue Ammonia in coal fired power plants and as a shipping fuel (refer Hexagon's relevant Fact Sheets on Hexagon's website).

CORPORATE

During the March 2022 quarter:

- Hexagon held its Annual General Meeting (see ASX Announcements 20 January 2022). The Chairman's Address and MD's presentation and voting results from the meeting are available on the Company's Announcements website page.
- Hexagon continued its rationalisation and cost reduction program which included the Company moving to West Perth.
- A part time project management/scheduling expert joined the team to support detailed planning across the Company's exploration and hydrogen activities.
- Hexagon expanded its stakeholder engagement particularly investor relations activities.
- Hexagon's cash position at the end of the quarter was \$1.1 million.
- Hexagon's half yearly report was released on 14 March 2022.

After the March 2022 quarter:

- A capital raise of \$1.911 million (including \$50,000 by Directors subject to shareholder approvals) involving the placement of new fully paid ordinary shares to institutional and sophisticated

¹ As reported by S&P Global Platts

<https://www.spglobal.com/platts/en/market-insights/latest-news/energy-transition/021822-japans-jera-eyes-up-to-500000-mtyear-ammonia-long-term-supply-from-fy-2027-28>

investors was completed. 66,496,668 ordinary shares will be issued under Tranche 1 of the Placement which was undertaken within the Company's existing capacity for new equity issuances under ASX Listing Rule 7.1 and, accordingly, requiring no shareholder approval, with settlement of the Placement shares on 28 April 2022. Tranche 2 of 1,785,714 of the placement shares for directors will be subject to shareholder approval. The use of funds from the capital raise being:-

- To fund Hexagon's exploration program, including completion of drilling programs during the 2022 field season and associated exploration and drill sample analysis at Hexagon's McIntosh Ni-Cu-PGE and Halls Creek Au-Base Metals-PGE Projects,
- Drill program result evaluation and further exploration program of work planning,
- Support of graphite exploration and project development at McIntosh and at the Ceylon Graphite Project, Alabama, USA being undertaken by third parties under Earn-In Agreements, and
- Minor working capital associated with these Projects.

The Placement was oversubscribed at an issue price of \$0.028 per share with 180 Markets acting as Lead Manager. Directors have committed a total of \$50,000.00 into the raise on the same terms, which will be subject to shareholder approval at the next general meeting of the Company. While the deal was initially offered and well covered at \$0.034, information pertaining to a change in shareholding received after the offer had closed led to a final repricing.

- On 23 April 2022 AusIndustry advised that Hexagon/FRV Australia's joint Middle Arm Hydrogen Hub application had not been successful in securing a grant.

During the March quarter, the Company paid the amounts noted at Item 6.1 on the Appendix 5B, being payments of \$145,000 to related parties and their associates. This was the aggregate amount paid to the directors including directors' fees, the Managing Director's salary and consulting fees.

Hexagon's Managing Director Merrill Gray said:

"Hexagon has emerged through the March quarter with a clear plan to realise value from its asset base. The Company has rationalised and re-focussed its hydrogen investments on a market led basis. All in all, defining a clear pathway for value creation for its shareholders over the next 12 months. Drilling at McIntosh and Halls Creek is expected to unlock value that is yet to be reflected in the share price. We have also built key partnerships and collaborations which are expected to accelerate the development of our Clean Hydrogen Project (WAH₂) and we have secured resources and funding to support the unlocking of value from our Graphite assets

"The McIntosh 2021 soil sampling results have been excellent, with only 50km² (10%) of our 542km² holding covered to date. There is a lot more to do here with further sampling expected to lead to target, and we are positive about the prospects at our Halls Creek project.

"We are greatly encouraged by this progress and excited to be fully funded and move forward the unlocking of value for Hexagon."

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

Part of Hexagon's business is the development of a large scale decarbonised, using Carbon Capture and Storage (CCS), Clean Hydrogen project to meet growing export and domestic markets requirements. Hexagon's end market focus is Blue Ammonia for co-firing in Coal fired power stations and use as a shipping fuel. A Pre-Feasibility Study for the Pedirka Clean Hydrogen located in Australia's Northern Territory, utilising gasification and CCS was completed in February 2022 and this led to Hexagon's North Western West Australian Clean Hydrogen project, WAH₂, being established. WAH₂ on a risk, cost and potential return basis more is a more attractive project for Hexagon to focus its development efforts on. To get a 'foot hold' and substantially grow as the global clean Hydrogen market emerges.

Hexagon's strategy is to progressively increase its renewable energy usage in Clean Hydrogen production and transition from blue to green hydrogen production, on a commercial basis, over time. On this basis Hexagon has commenced building a strategic relationship with FRV Services Australia Pty Ltd (FRV Australia) as announced on 24 January 2022. FRV Australia has developed 9 solar farms investing + A\$1 B in Australia (800 MWdc generation capacity) to date and has Green Hydrogen projects already in operation globally, ranging from <1MW to 20MW. FRV Australia is 49% owned by OMERS Infrastructure (49%) – Canada's largest public pension funds which is a global infrastructure investor and 51% owned by Abdul Latif Jameel Energy.

Hexagon also owns the McIntosh Nickel-Copper-PGE and Graphite project in the Kimberley in Western Australia (WA) and the Halls Creek Gold -Base metals – PGE project also in the Kimberley WA. In February 2022, through a Graphite Mineral Rights Only Earn-In deal with Green Critical Minerals Pty Ltd Hexagon is seeking to leverage in new expertise and secure further investment funds to develop its Graphite assets at McIntosh which comprise of a total Graphite resource of 23.8 million tonnes, grading 4.5% TGC, with 81% indicated (ASX Announcement 5 April 2019). In the USA, Hexagon holds an 80 per cent controlling interest of the Ceylon Graphite project located in Alabama, over which South Star Battery Materials Corp. (TSXV: STS, OTCQB: STSBF) on 7 December 2021 signed an up to 75% Earn-In agreement over.

Hexagon strategy is to actively secure and leverage technical and commercial alliances, by commodity, which will underpin value creation across its portfolio of assets whilst developing core future energy and energy materials projects in-house.

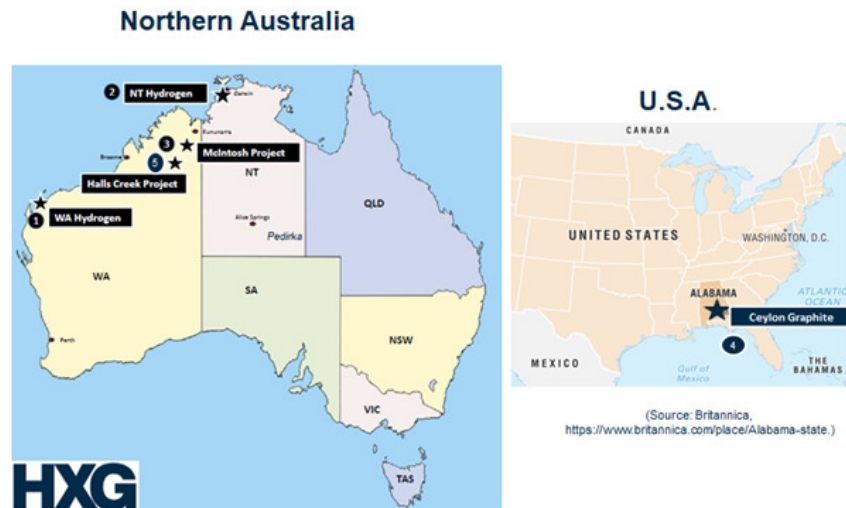


Figure 8: Hexagon project locations

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

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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")

31 March 2022

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)	(371)	(1,400)
	(b) development	(79)	(79)
	(c) production	-	-
	(d) staff costs	(128)	(333)
	(e) administration and corporate costs	(120)	(547)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	2
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	(698)	(2,357)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	(2)
	(d) exploration & evaluation (if capitalised)	(31)	(1,572)
	(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	-	-
2.6	Net cash from / (used in) investing activities	(31)	(1,574)

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)	(9)	(42)
3.10	Net cash from / (used in) financing activities	(9)	(42)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,817	5,052
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(698)	(2,357)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(31)	(1,574)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(9)	(42)

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	-	-
4.6	Cash and cash equivalents at end of period	1,079	1,079

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	1,012	1,750
5.2 Call deposits	67	67
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)	1,079	1,817

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

6.1 – Payments to Directors.

Current quarter \$A'000
145
-

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)	(698)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(31)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(729)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	1,079
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	1,079
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	1.5
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 Company completed a capital raise of A\$1.91 million on 27 April 2022 to enable the Company to continue to fund its operations.	
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 internal purposes and its demonstrated ability to access funds through the 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: 29/4/2022

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.