



ASX Announcement | 30 April 2024
Hexagon Energy Materials Limited (ASX: HXG)

January to March 2024 (FYQ3) Quarterly Activities Report

Flagship WAH₂ Project momentum building towards planned mid-2024 FEED entry

Hexagon Energy Materials Limited (ASX: HXG) ('Hexagon' or 'the Company') is pleased to provide this Quarterly Activities Report for the quarter ended 31 March 2024 (Q3 FY24).

Hexagon is an Australian-listed company focused on the clean energy transition including project development of low-emission fuels and energy materials.

EXECUTIVE SUMMARY

The March 2024 quarter saw the Company execute a Water Supply Key Terms Agreement ('KTA') for the WAH₂ Project¹ and further advance confidential commercial discussions with key input providers, potential offtakers and strategic partners for the project.

The KTA supports the removal of a dedicated desalination plant and associated pipelines from the Base Case. Water supply without a desalination plant would reduce costs, the project's power and fuel gas requirements and simplify the scope of environmental and regulatory approvals.

Technical and regulatory work remains on-track to support WAH₂ FEED-entry in mid-2024 as planned.

The Company continued to progress strategic conversations regarding its graphite joint ventures and potential development of the Company's other mineral assets.

Hexagon is in strategic discussions with a single counterparty to secure funding for the company's near-term capital requirements including completion of WAH₂ Pre-FEED.

1. WAH₂

The WAH₂ project is Hexagon's flagship project to supply low-emissions ammonia to the decarbonising powerhouse economies of the Asia Pacific, including Japan and South Korea. The project is well placed as Asia's energy transition drives an increasing demand for low emissions energy.

The WAH₂ Project progressed to plan through Q1 2024 with pre-FEED technical activities on track to support FEED-entry in mid-2024, signing of the KTA for water supply, continued progression of other commercial discussions, and focus on regulatory approvals.

1.1 Pre-FEED Technical Activities

Technical activities are being led by Petrofac Asset Solutions Australia Ltd as lead engineer and Topsoe A/S as technology provider.

The design basis has been set for the core process, process flow diagrams completed and a preliminary plot plan defined.

¹ HXG ASX announcement 'WAH₂ Project – Water Supply Key Terms Agreement' dated 11 March 2024.

Optimisation of ancillary process and services continues to plan, supported by vendor engagement and detailed engineering.

Preparation of an updated cost estimate and the FEED project execution plan has commenced.

1.2 Key Terms Agreement

In March 2024, Hexagon signed a Key Terms Agreement with the Water Corporation of Western Australia².

Hexagon and the Water Corporation have committed to negotiate in good faith with the intention of executing a definitive agreement for the supply of water to the WAH₂ Project. The negotiations are being conducted on the basis of non-binding, commercial-in-confidence terms which are set out in the KTA.

The KTA supports the removal of capital costs associated with a dedicated desalination plant and associated pipelines from the Base Case, partially offset by the capital and operating costs of water supply. Water supply without a desalination plant would reduce the project's power and fuel gas requirements and allow the scope of environmental and regulatory approvals to be significantly reduced and de-risked.

1.3 Other Commercial Discussions

Confidential commercial discussions continue to progress with key input providers, potential offtakers and strategic partners.

The insights gained from these discussions, including confidential indicative pricing from third parties for several key aspects of the project, have reduced uncertainty and have tended to come in under PFS Base Case assumptions³, providing opportunities to improve project economics.

An economic update will be provided by Hexagon prior to FEED-entry once the ongoing confidential commercial discussions are completed.

1.4 Regulatory Approvals

Responses to Hexagon's Request for Proposals for baseline environmental surveys have been received and evaluated. The surveys are planned to be undertaken in Q3 2024.

John Thurtell Consulting Services has been retained to provide Native Title and Heritage advice and negotiation services.

The terms of the Option to Lease for the land allocated to Hexagon for the WAH₂ Project have been agreed in-principle with Development WA and final approvals are pending.

Hexagon's target remains WAH₂ FEED entry in mid-2024. This will require the completion of planned technical work and finalisation and execution of conditional commercial agreements for key aspects of the project. Confidential negotiations continue with key input providers, potential off-takers and strategic partners.

Hexagon intends to have the key agreements in place to support the start of FEED in Q3 2024. Given the interdependency between the commercial agreements, their sequencing and timing will be determined as they progress.

² HXG ASX announcement 'WAH₂ Project – Water Supply Key Terms Agreement' dated 11 March 2024.

³ HXG ASX 'WAH₂ Project Pre-Feasibility Study' updated announcement dated 2 August 2023.

1.5 WAH₂ Tracking

Timing	Stage	Status
Q3 – Q4 2022	<ul style="list-style-type: none"> Complete scoping study 	Achieved on time & budget
Q1 – Q2 2023	<ul style="list-style-type: none"> Complete WAH₂ Preliminary Feasibility Study Report Secure Option to Lease from WA Government over preferred project site Progress commercial discussions 	Achieved on time & budget
Q3 2023 – Q2 2024	<ul style="list-style-type: none"> WAH₂ Pre-FEED Studies MOUs for project inputs and offtake, maturing into conditional commercial agreements prior to FEED entry FEED entry Q3 2024 	Ongoing
Q3 2024 – Q2 2025	<ul style="list-style-type: none"> FEED Studies Unconditional commercial agreements for project inputs and offtake prior to FID FID end 2025 	

2. Graphite – McIntosh and Ceylon (Alabama)

2.1 McIntosh

The McIntosh graphite project continues to progress in collaboration with Green Critical Minerals (GCM).

GCM 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 28 February 2024, GCM released an ASX announcement ‘GCM Commences Flow Sheet Optimisation Test Work at McIntosh’.

2.2 Ceylon (Alabama)

Hexagon and South Star Battery Metals Corp (TSXV: STS, OTCQB: STSBF) (South Star) entered an Earn-In and Option Agreement on Hexagon’s Ceylon Graphite Project located in Alabama, USA (HXG ASX Announcement 4 November 2021). The agreement provides the right for South Star to acquire 75% in the project in return for C\$750,000 in expenditure on the project within agreed guidelines.

South Star completed a drill program of around 2,000m over 15 holes. The results of this program will feed into an NI 43 101 resource statement and mine planning update which will be released in parallel with the findings of the Preliminary Economic Assessment (PEA). The PEA is now scheduled for completion in Q2 2024.

Total expenditure on the project by South Star upon the completion of the PEA is forecast to be approximately C\$3m (AUD3.3m). Hexagon is free carried.

During the quarter Hexagon extended the mineral leases and surface agreements for an additional two-year period beyond the initial five-year term of the original agreements.

3. Minerals

During the quarter Hexagon continued strategic discussions regarding the potential development of the Company's mineral assets. The Company will provide further details as and when any definitive agreements are made.

3.1 McIntosh

Hexagon's McIntosh Ni-Cu-PGE Project in the West Australian Kimberly region lies in the centre of an area known for active Ni-Cu-PGE extraction. McIntosh is surrounded by well-established Nickel and/or PGE producers, exporters and substantial Ni-Cu-PGE JORC resources. Over the past three years, Hexagon has undertaken substantial appraisal work to establish the geology of the project.

3.2 Halls Creek

Hexagon's Halls Creek project has demonstrated significant potential for Au-Base Metal-PGE. During the quarter the Company conducted preparatory work for additional exploration including heritage approvals.

TENEMENTS

Hexagon's list of exploration tenements as at 31 March 2024 is set out in the Appendix.

CORPORATE

Hexagon's cash position at the end of the quarter was A\$387,000.

The Company paid the amounts noted at Item 6.1 on the Appendix 5B, being payments of A\$84,000 to related parties and their associates. This was the aggregate amount paid to the directors including director's fees and consulting fees.

Hexagon is in strategic discussions with a single counterparty to secure funding for the company's near-term capital requirements including completion of WAH₂ Pre-FEED.

APPENDIX - LIST OF TENEMENTS

Hexagon Energy Materials Limited held the following interests in exploration tenements as at 31 March 2024. (ASX Listing Rule 5.3.3)

Pedirka (NT, Australia)				
Tenement	Interest at Beginning of Quarter	Interest at End of Quarter	Acquired During Quarter	Disposed During Quarter
EL29237	100% Hexagon	100%	-	-
EL29239	100% Hexagon	100%	-	-
McIntosh¹ (WA, Australia)				
Tenement	Interest at Beginning of Quarter	Interest at End of Quarter	Acquired During Quarter	Disposed During Quarter
E80/3864	100% Hexagon	100%	-	-
E80/3906	100% Hexagon	100%	-	-
E80/3907	100% Hexagon	100%	-	-
E80/3928	100% Hexagon	100%	-	-
E80/4688	100% Hexagon	100%	-	-
E80/4732	100% Hexagon	100%	-	-
E80/4733	100% Hexagon	100%	-	-
E80/4734	100% Hexagon	100%	-	-
E80/4739	100% Hexagon	100%	-	-
E80/4825	100% Hexagon	100%	-	-
E80/4841	100% Hexagon	100%	-	-
E80/4842	100% Hexagon	100%	-	-
E80/4879	100% Hexagon	100%	-	-
E80/4931	100% Hexagon	100%	-	-
E80/5151	100% Hexagon	100%	-	-
E80/5157	100% Hexagon	100%	-	-
Halls Creek (WA, Australia)				
Tenement	Interest at Beginning of Quarter	Interest at End of Quarter	Acquired During Quarter	Disposed During Quarter
E80/4793	100% Hexagon	100%	-	-
E80/4794	100% Hexagon	100%	-	-
E80/4795	100% Hexagon	100%	-	-
E80/4858	100% Hexagon	100%	-	-
E80/5126	75% Hexagon	75%	-	-
P80/1814	100% Hexagon	100%	-	-
P80/1815	100% Hexagon	100%	-	-
P80/1816	100% Hexagon	100%	-	-
P80/1817	100% Hexagon	100%	-	-
P80/1818	100% Hexagon	100%	-	-
Alabama² (USA)				
Tenement	Interest at Beginning of Quarter	Interest at End of Quarter	Acquired During Quarter	Disposed During Quarter
MLAs*	80% Hexagon	80%	-	-

* Mineral Lease Agreements with respective mineral rights holders.

¹ 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 (HXG ASX Announcement 14 February 2022).

² Hexagon and South Star Battery Metals Corp (TSXV: STS, OTCQB: STSBF) (South Star) entered an Earn-In and Option Agreement on Hexagon's Ceylon Graphite Project located in Alabama, USA (HXG ASX Announcement 4 November 2021). The agreement provides the right for South Star to acquire 75% in the project in return for C\$750,000 in expenditure on the project and completion of a Preliminary Economic Assessment within agreed guidelines.

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 *Future Energy* materials exploration and project development.

Hexagon is developing a business to deliver decarbonized hydrogen (low-emission ammonia) into export and domestic markets at scale, via its WAH₂ Project. The Company plans to use renewable energy to the greatest extent practicable.

Hexagon 100% owns the McIntosh Nickel-Copper-PGE project and the Halls Creek Gold and Base Metals project in Western Australia. The Company has two joint ventures on its Graphite properties.

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

FOR FURTHER INFORMATION,

Investors Contact:

Hexagon Energy Materials Ltd

Stephen Hall

CEO

+61 8 6244 0349

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 2024

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	1
1.2 Payments for		
(a) exploration & evaluation	(78)	(247)
(b) development	(249)	(559)
(c) production	-	-
(d) staff costs	(129)	(351)
(e) administration and corporate costs	(150)	(491)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	19
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	494
1.8 Other (Green Critical Minerals Transaction for WA Graphite)	-	200
1.9 Net cash from / (used in) operating activities	(603)	(934)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	(25)
(c) property, plant and equipment	-	-
(d) exploration & evaluation	(36)	(189)
(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	(36)	(214)

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)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,026	1,535
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(603)	(934)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(36)	(214)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

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 (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	387	387

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	367	1,006
5.2	Call deposits	20	20
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)	387	1,026

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	84
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
6.1 - Payments to Directors		

7.	Financing facilities <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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.		
	-		

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

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(603)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(36)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(639)
8.4 Cash and cash equivalents at quarter end (item 4.6)	387
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	387
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	0.6
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 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	
8.8.2 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 in strategic discussions with a single counterparty to secure funding sufficient to meet its near-term capital requirements.	
8.8.3 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.	
<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>	

Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Date: 30 April 2024

Authorised by: Board of Directors
(Name of body or officer authorising release – see note 4)

Notes

- 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

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

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.