



ASX Release

5 April, 2017

Corporate Update Letter to Shareholders

Dear Shareholders

I am writing to share with you my findings to date on the various activities that our Company is progressing and to provide you an overall update on our McIntosh Project development strategy and some emerging opportunities.

As an overriding comment, the focus on corporate “repair” is virtually complete and during this period, the team still managed to advance resource delineation and preliminary metallurgical testwork. This has generated highly encouraging results and a solid platform from which to launch into pre-development work; hence my attraction to the role of Managing Director, of Hexagon.

With industrial minerals it is important to understand the customer’s requirements from a very early stage and ensure that the production aspects are aligned to market demands and structure. The following sections of this letter seek to provide you an update on specific key aspects of our development plans and outline a few emerging opportunities.

a. Marketing – The Company needs to be at the centre of the graphite market in order to maximise value from the high-quality product we plan to produce. It will be key to the Company’s success to have strong relationships to sell product into those sectors of the graphite market that value its attributes accordingly. This of course ties in to both plant design optimisation and offtake and therefore critical funding conversations.

To this end, Hexagon has been exploring possible customer relationships and is further seeking to recruit a highly experienced industrial minerals/speciality metals marketing person to assist in its marketing strategy, identifying and collating potential customers and where appropriate executing off-take contracts. We are currently in discussions with several people. This would be an important step forward, further supported by the planned commissioning of detailed graphite industry reports relevant to Hexagon and its potential product mix from independent research groups.

b. Geology & Resources: in my view, to attract top tier off-take interest, in whatever commodity sector, not only do we need an outstanding product but we also need to demonstrate long-term capacity to supply; in graphite I would suggest greater than 20 years. Hexagon has excellent quality, airborne geophysical data (electro-magnetic (EM)) highlighting numerous high-potential targets for additional graphite mineralisation which has proved a strong indicator of actual resource in the ground in previous drilling. The Company is currently modelling this data to generate an Exploration Target estimate in compliance with the JORC code.



- c. The Exploration Target estimate of possible tonnage and grade will further reinforce to all stakeholders the scale and endowment of the McIntosh Flake Graphite Project, which will require follow-up with additional resource delineation drilling.
- d. **Metallurgy & Processing:** sufficient metallurgical testwork has been completed to support a flow sheet proposed by consultant engineers, Scope Australia, and subsequent plant designs to a +/- 30% level. There are opportunities for further optimisation work, which is likely to have important capital and operating cost benefits even at a pre-feasibility level. The current status is summarised below:
 - i. Draft design and pre-feasibility cost estimates have been received from Scope Australia for processing plant options and site infrastructure including an accommodation camp and power station.
 - ii. Hexagon has recently engaged Mr Noel O'Brien, a highly experienced metallurgist/process engineer, to provide ongoing technical advice on plant design, optimisation and future metallurgical testwork.
 - iii. A 2.5 tonne sample of McIntosh mineralisation is currently being processed by ALS Global at its Perth pilot plant facility. This is an exciting initiative related to battery focused end-users which is planned to generate approximately 100kg of concentrate for spheronisation, purification and battery cell testwork; the 3-phases to produce spherical graphite for battery manufacturers. The Hexagon team visited the pilot plant last week (refer Figure 1) and the preliminary results were consistent with the previous testwork outcomes reported. This program will take several weeks to complete.



Figure 1: ALS Pilot Plant flotation section (from right) – Shane Tomlinson, Amy Doherty, Mike Rosenstreich (HXG), with Plant Supervisor, Beezan Rind and Matt Robertson (HXG).

- iv. Hexagon has recently initiated testwork to examine the amenability of the McIntosh mineralisation to various ore-sorting technologies. Samples have been submitted to two of the leading global suppliers of ore-sorting machines. No results are available as yet but the opportunity to reject the gangue material from the ore feed stream to the flotation circuit could have significant benefits to estimates of capital and operating costs as well as the overall operational performance of the circuit.



e. **Other Study inputs:** such as mine design and planning, tailings storage, site hydrology for process water and surface water management, tails and waste rock characterisation as part of the environmental management systems, heritage and permitting processes are all important aspects which are currently in progress and generally expected to be completed by the end of April, 2017. Follow-on work to complete a pre-feasibility level study includes financial modelling and assessment, a review of risks and mitigation strategies and finally report compilation.

Prefeasibility Study strategy; Hexagon is clearly behind on its original timetable forecasts for reporting on the outcomes of its pre-feasibility study work. This is due to several factors many beyond the control of Hexagon in terms of its reliance on external consultants but also some issues arising internally which we need to acknowledge.

Opportunities, I am impressed by the positive opportunities to build value into the Company and its assets, such as;

- solid exploration targets (strong EM conductors – either graphite or perhaps massive sulphide nickel), with plenty of scope to support a major resource upgrade as well as delineation of discrete zones containing larger flake size, for example, Jumbo size graphite flake identified at the Marlin prospect (refer ASX Report 8 November 2016);
- the opportunity to utilise ore sorting to upgrade the milling and flotation feed which could bring clear capital and operating cost benefits;
- a dedicated marketing manager to provide insight and access to markets of a high quality product sourced from a stable, safe jurisdiction in close proximity to major markets; and
- advancing testwork on the downstream processing routes to produce spherical graphite looking at battery end-users.

All combine to create an exciting development option matrix which we plan to move through as quickly as practical. We will continue to strengthen the technical and corporate teams to ensure sound project work and effective commercialisation of those outcomes, translating into improved shareholder value.

In terms of communicating our progress and achievements to date, Hexagon will be presenting at the Australian Graphite Conference in Perth on the 27 April, 2017. There are complimentary tickets allocated for our shareholders to attend – so please contact me to reserve a seat as these are limited.

I would like to acknowledge the positive support and welcome I have received from all of the Hexagon team, former management and the Board. The company is in a transition phase from a solid base, my focus is on being accountable to all stakeholders, particularly shareholders – many of whom I look forward to meeting with over the coming months.

Regards

Mike Rosenstreich
Managing Director

**Competent Person**

The information within this report that relates to exploration results, Exploration Target Estimates, geological data and Mineral Resources at the McIntosh Project is based on information compiled by Mr Tony Cormack and Mr Mike Rosenstreich who are both directors of the Company. Mr Rosenstreich is a Fellow and Mr Cormack is a Member of The Australasian Institute of Mining and Metallurgy. They both, individually have 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 they consent to the inclusion of this information in the form and context in which it appears in this report.

Technical Detail

This Report aims to provide a high level summary of various technical aspects of the Company's projects. For more details on the underlying technical parameters the reader is referred to the ASX Reports on the Hexagon Resources Limited website, www.hexagonresources.com.

Forward-Looking Statements: This document includes forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning Hexagon Resources Ltd's planned development and exploration programmes and other statements that are not historical facts. When used in this document, the words such as "could," "plan," "estimate," "expect," "intend," "may," "potential," "should," and similar expressions are forward-looking statements. Although Hexagon Resources Ltd believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.

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