HEXAGON
resources limited

**ASX ANNOUNCEMENT** **8 November, 2018**

# Hexagon & Mineral Resources sign McIntosh Joint Venture Agreement

**HIGHLIGHTS**

- **Hexagon Resources and Mineral Resources Ltd execute McIntosh Joint Venture Agreement**
- **Confirmation that McIntosh Stage 1 feasibility and development funding is "de-risked" for Hexagon**
- **ASX-listed Mineral Resources to earn a 51% interest in the McIntosh Project tenements by exploration and development**
- **Mineral Resources to complete feasibility study and all development to commercial production and operate the Project through a life of mine, Project Services Agreement**
- **First major McIntosh drilling program undertaken by MinRes recently completed**

Hexagon Resources Limited (**Hexagon** or the **Company**, (ASX:HXG)) is pleased to announce that Mineral Resources Limited (ASX:MIN, **MinRes**) and Hexagon have executed the Joint Venture Agreement (**JVA**) covering the development of the McIntosh Graphite Project (**Project**) in northern Western Australia. The terms of the JVA are consistent with the binding Heads of Agreements (**HoA**) reported to ASX on 27 March 2018.

The joint venture, managed and funded by MinRes, has operated since Hexagon shareholders approved the transaction on 14 May 2018 (the Effective Date), under the terms of the HoA.

Under the agreement, Hexagon and MinRes will establish an unincorporated joint venture after confirmation that MinRes has completed its initial farm-in expenditure of $300,000, with Hexagon and MinRes respectively holding a 49% and 51% participating interests. From the Effective Date MinRes is solely responsible to:

- Undertake feasibility studies within 18 months (before 14 October 2019);
- Commence activities for the development of the Project within 24 months (before 14 April 2020); and
- Complete project development activities and achieve commercial production of graphite concentrate within 36 months, namely before 14 April 2021.

MinRes or its subsidiaries will provide all mining, processing and logistical services for the Project under a life of mine, Project Services Agreement.

The parties have agreed not to establish a special purpose company for the joint marketing of graphite concentrates produced at the Project as previously contemplated. Instead the parties will negotiate a joint graphite concentrate marketing framework agreement to achieve the same common branding, marketing collaboration and non-compete outcomes originally envisaged with the special purpose company, but without the administration issues.

Hexagon's Managing Director Mike Rosenstreich said finalisation and execution of the Joint Venture Agreement is an important step in de-risking the project for Hexagon shareholders.

"The signing of this agreement effectively de-risks the project for Hexagon's shareholders, having a company with the financial capacity and operational skills such as MinRes involved. To date MinRes has certainly been very active on the ground, with a major drilling program recently completed, yielding a series of positive preliminary outcomes, and approximately 17 tonnes of drill core samples recovered. We look forward to the results of this program as soon as possible."

The key terms of the JVA are set out below and detailed terms are described in the ASX report dated 27 March 2018 and in the Notice of Meeting sent to Hexagon shareholders on 11 April 2018.

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## Summary Terms of Executed Joint Venture Agreement

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| **Parties** | **Hexagon Resources Limited**, and its wholly owned subsidiary McIntosh Resources Pty Ltd (owner of the McIntosh Project) (**Hexagon**).<br><br>**Mineral Resources Limited** (and a wholly owned subsidiary) (**MRL**). |
| **Farm-in** | Hexagon will transfer to MRL a 51% legal interest in the McIntosh Project assets including the tenements once MRL has expended $300,000 on the exploration or development of the McIntosh Project tenements. |
| **Commercial Production** | The unincorporated joint venture will engage MRL as the mining services contractor under a life of mine, mining services agreement pursuant to which MRL will fund and use best endeavours to achieve production of the first two shipments or the first 16,667 tonnes (two months equivalent at a run rate of 100ktpa) of flake graphite concentrate from the McIntosh Project (**Commercial Production**) within 36 months of Hexagon shareholder approval. MRL must propose and approve programmes and budgets for the joint venture which are consistent with achieving this objective.<br><br>Prior to Commercial Production, MRL will achieve two separate milestones, as follows:<br><br>i) **Project Readiness**: MRL must within 18 months of Hexagon shareholder approval complete a Feasibility Study (JORC) (**Project Readiness**). |

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| | ii) **Commence Development**: MRL must within 6 months of achieving Project Readiness mobilise to site and commence a level of activities which is consistent with an intention to develop the McIntosh Project to Commercial Production and obtain all approvals necessary for mining and construction to commence within 36 months of Hexagon shareholder approval.<br><br>Each of the above deadlines may be extended if MRL's activities are affected by events or circumstances outside MRL's control, if there is a material change to the nature or scale of planned operations or if after Project Readiness is achieved the McIntosh Project ceases to be commercially viable.<br><br>The McIntosh Project will only be considered to not be commercially viable if there is no reasonable basis to conclude that the McIntosh Project can be operated on a cash-flow positive basis within a reasonable period after Commercial Production.<br><br>If MRL elects not proceed with the Project and does not achieve these two milestones then it will transfer its interest back to Hexagon. |

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| **Joint Venture** | The activities of Hexagon and MRL will be conducted through an unincorporated joint venture on industry standard terms for a joint venture of this nature.<br><br>MRL will be the manager of the joint venture, subject to oversight by a management committee.<br><br>Voting on the management committee will be in proportion to Hexagon's and MRL's respective percentage shares in the joint venture. Decision will be made by simple majority vote subject to certain unanimous decisions (including budgets and business plans (and variations)).<br><br>An overriding principle of the joint venture will be for Hexagon and MRL to make decisions and act in good faith based on the concept of "best for Project" in terms of return on equity whilst maintaining policies on sustainability issues such as environmental management, OH&S, community and heritage issues and human resources that are in accordance with Western Australian mining industry standard practice. |
| **Project Services** | All mining, processing and associated services to exploit the McIntosh Project for life of mine will be conducted by a subsidiary of MRL. A combination of commercially competitive fixed and variable fees will be payable.<br><br>Fees will be agreed following completion of the Feasibility Study and will be subject to an independent benchmarking process at Hexagon's discretion.<br><br>Following Commercial Production, Hexagon will repay its proportionate share (49%) of the costs actually incurred by MRL on capital expenditure items for the McIntosh Project, capped at \$3.92 million. Such amounts will only be |

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| | repaid from cash flow realised from the sale of graphite flake product from the McIntosh Project. |
| **Product Marketing** | The flake graphite concentrate product produced from the McIntosh Project will be marketed in accordance with an agreement which sets out agreed principles to ensure collaboration between the parties for the marketing of products produced by the Project, including non-competition provisions. |
| **Formal Documents** | The Project Services Agreement and Product Marketing Agreement will be finalised as soon as practical and will be executed within 60 days of Project Readiness. |