

# Hexagon Resources Ltd

12:28 21 Nov 2018

## Hexagon Resources focuses on graphite market as MinRes continues DFS work

Hexagon Resources Ltd (ASX:HXC) expects a busy nine months as joint venture partner Mineral Resources Limited (ASX:MIN) (MinRes) works on a feasibility study for the McIntosh Graphite Project in Western Australia's East Kimberley.

The parties are awaiting assays from drilling at McIntosh which may be factored into a resource upgrade to support the project's definitive feasibility study (DFS) started about July 2018.

MinRes came on board as an earn-in partner on the project in the first half of 2018, inking a formal joint venture earlier this month.

**WATCH:** Hexagon Resources 'absolutely focused on commercialisation' and financing graphite project

Western Australia-based Hexagon has a clear business strategy to become a vertically-integrated advanced materials business that produces quality graphite products for premium end-use markets.

Hexagon chairman Charles Whitfield told shareholders at the company's annual general meeting he was confident of the company's position and path to "a profitable and valuable business".

The company's managing director Mike Rosenstreich then outlined the company's strategy, emphasising it planned to analyse the complex and fragmented graphite market to understand it better and position the company to maximise opportunities to extract value.

Whitfield addressed the progress the company had made in the prior 12 months, attracting full financing for its world-class McIntosh project through its joint venture with MinRes, which is funding studies ahead of a final investment decision.

MinRes is earning into a 51% stake with its feasibility work, with Hexagon to have a 49% participating interest in the project.

Rosenstreich spoke to Proactive Investors' Stocktube video channel last week, saying the partners were targeting very high grades for the McIntosh project's graphite flake.

He said, "The refining work (we've) been doing really cuts to the heart of one of the really positive aspects of the McIntosh deposit.

"If you look at the crystallinity and the morphology of our graphite flakes, it is really easy to purify, so the impurities sit on the flake surface."

**Price:** A\$0.095

**Market Cap:** A\$27.72M

### 1 Year Share Price Graph



### Share Information

**Code:** HXC

**Listing:** ASX

**52 week High Low**  
A\$0.20 A\$0.09

**Sector:** Mining

**Website:** [www.hexagonresources.com](http://www.hexagonresources.com)

### Company Synopsis:

Hexagon Resources Ltd (ASX:HXC) is listed on the Australian Securities Exchange.

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Flake graphite makes up about 40% of the graphite market and is a feedstock for spherical graphite, expandable graphite and graphene.

Hexagon has sourced a technology that was commercialised in the US to produce high-purity graphite flake, and has set a target to produce flake of five-nines or 99.999% graphite quality.

Rosenstreich said, "We're looking for a cost advantage in terms of our purification because ... our technology is efficient and highly productive."

The company has reported the high-purity five-nines grading is "easily achievable" with its graphite, making its output amenable to high-end uses such as in the expandable graphite sector, for battery chemistries and in a range of other applications.

Rosenstreich said, "Five-nines takes you into another field.

"If we're able to hit 99.999%, that's a significant reduction in any impurities and that's a core driver for our business.

"To be able to attain these ultra-high purities gives us access to exciting markets and to be able to attain those impurity levels at a cost that's less than the current cost of, say, Chinese purification techniques for graphite, that is a fundamental pillar of our business."

#### **READ: Hexagon Resources achieves positive lithium battery test results**

The technology achieves higher gradings by changing when steps in the flow-sheeted process occur.

"By changing where purification occurs in our flow sheet, we get very high yields, I would suggest double the yields that traditional Chinese manufacturers get.

"We think we've got a leading technology and a leading flow sheet really enabled by this high-quality deposit at McIntosh."

Initial cell-cycling test work of purified, uncoated McIntosh spherical graphite reported on in July 2018 showed the project's graphite could be used to produce the highest quality synthetic graphite utilised in battery applications.

The McIntosh resource sits at 21.3 million tonnes grading 4.5% total graphitic content (TGC), with assays pending.

## Positive pre-feasibility study figures

The company's pre-feasibility study financials put the after-tax net present value (NPV) of the project at \$175 million at an 8% discount rate.

McIntosh project's post-tax internal rate of return (IRR) was 36%, based on start-up capital of \$148 million at a 15% contingency.

The payback period for the project was three years, with \$1.197 billion life-of-mines revenues which come in at \$2,087 a tonne.

Rosenstreich told Proactive he expected positive news flow into next year.

He said, "We've just finished a really major drill program that was managed by Mineral Resources in late October - 11,000-12,000 metres of drilling.

"It's going to be a whole series of assay results, metallurgical test work results, a resource upgrade coming out over the next quarter to two quarters, so that's going to be very exciting.

"We have two streams of news flow - downstream work on the purification and industrial and battery applications, as well as the upstream side in terms of these resource upgrades and assays - lots of news to come over the next two to three quarters."

### **READ: Hexagon Resources shareholders give nod to graphite project joint venture with MinRes**

The company is waiting on full results from 17 tonnes of drill-core samples after positive preliminary results from the McIntosh drilling program.

Rosenstreich told Proactive, "One of the results from our drilling program was to test this exploration target and we got 90 metres from surface of solid graphite mineralisation, so people can see that the resource is there, they can see it's underpinned by the expression target."

JV partner MinRes is now responsible for undertaking all feasibility studies up to October 14, 2019, starting project development activities by April 14, 2020, and completing those activities so the commercial production of the project's graphite concentrate can be produced by April 21, 2021.

MinRes or a sUBSidiary will provide life-of-mine mining, processing and logistical services for the project under a project services agreement.

Hexagon and MinRes have set aside a plan to establish a company for joint marketing of graphite concentrate, instead planning to use a joint graphite-concentrate marketing framework agreement for their collaboration and joint branding.

## Hexagon CR2106 lithium-ion cells

Chairman Whitfield and MD Rosenstreich have both reported Hexagon's joint venture with MinRes has de-risked the McIntosh project.

Corporate leader Rosenstreich told the market on November 8, "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."

Among Hexagon's company's achievements for the 2017-18 financial year was a \$7 million placement to institutional investors in June 2018.

The company reduced its net loss for the year by \$660,998, or 38.96%, to \$1.3 million, when compared to the 2016-17 financial year.

Hexagon held a stable \$6.3 million at the end of the June 2018 and September 2018 financial quarters, burning \$1.1 million in the September 2018 quarter.

## Drill core from the McIntosh project

The company's share registry is boosted by a number of notable investors, including UBS Group AG, which held 6.7% of the company at last change earlier this month.

On June 30, HSBC Custody Nominees (Australia) Limited was Hexagon's largest shareholder, holding 8.21%, with Citicorp Nominees Pty Limited a close second with a 7.66% stake and UBS on third (6.02%).

MinRes was the fourth-largest shareholder (3.61%) while Investorlink Group Limited filled out the top 5 (3.22%).

Portfolio manager Forsyth Barr Custodians Ltd was sixth (3.13%) while J P Morgan Nominees Australia Limited came in at seventh (2.49%).

Hexagon chairman Charles Whitfield and managing director Mike Rosenstreich will host a one-hour investor briefing: in Sydney this Wednesday, November 21, at 4pm; in Melbourne this Thursday, November 22 at noon; and in Perth on Thursday next week, November 29, at 4pm. Details are available from [nicolec@hexagonresources.com](mailto:nicolec@hexagonresources.com).

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