



HEXAGON

resources limited

High Purity Flake Graphite for New Technologies

ACN 099 098 192

Notice of Annual General Meeting and Explanatory Statement

Annual General Meeting to be held at Colin Biggers & Paisley, Level 42, 2 Park Street
Sydney NSW 2000 on 31 October 2016 commencing at 10.00 am AEDT

This Notice of Annual General Meeting and Explanatory Statement should be read in its entirety. If you are in doubt as to how you should vote, you should seek advice from your accountant, solicitor or other professional adviser without delay.

Notice of Annual General Meeting

Notice is hereby given that an Annual General Meeting of Shareholders of Hexagon Resources Limited ACN 099 098 192 (**Company**) will be held at Colin Biggers & Paisley, Level 42, 2 Park Street, Sydney NSW 2000 on 31 October 2016 commencing at 10.00 am AEDT, for the purpose of transacting the following business referred to in this Notice.

An Explanatory Statement provides additional information on matters to be considered at the Meeting.

AGENDA

ORDINARY BUSINESS

Receive and Consider the Financial Statements

To receive and consider:

- (a) the Financial Report;
- (b) the Directors' Report; and
- (c) the Auditor's Report,

of the Company for the year ended 30 June 2016.

Resolution 1 – Adoption of Remuneration Report

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That the Remuneration Report within the Directors' Report of the Company's 2016 Annual Report be adopted."

Please note that the vote on this resolution is advisory only and does not bind the Company or its Directors.

Resolution 2 – Re-Election of Mr Charles Whitfield as a Director

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That Mr Charles Whitfield, a Director who was appointed on 22 August 2016, who retires by rotation and who offers himself for re-election, be re-elected a Director."

Resolution 3 – Re-Election of Garry Plowright as a Director

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That Mr Garry Plowright, who retires by rotation and who offers himself for re-election, be re-elected a Director."

Resolution 4 – Ratification of securities placements

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 7.4 and for all other purposes, the issue of 16,662,500 Shares and 8,331,250 options on 14 March 2016 to sophisticated or professional investors, as described in the accompanying Explanatory Statement, be ratified and approved."

Resolution 5 – Approval of 10% Placement Facility

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

*"That, for the purposes of Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) (**10% Placement Facility**) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Statement."*

Resolution 6 – Approval of proposed issue of Options to Neville Miles

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 10.14 and for all other purposes, Shareholders approve the issue of:

- (a) *1,500,000 Series A Options; and*
- (b) *500,000 Series B Options,*

to Neville Miles (or his nominee) under the ESOP on the terms described in the Explanatory Statement."

Resolution 7 – Approval of proposed issue of Options to Anthony Cormack

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That for the purposes of Listing Rule 10.14 and for all other purposes, Shareholders approve the issue of:

- (a) *2,000,000 Series A Options; and*
- (b) *500,000 Series B Options,*

to Anthony Cormack (or his nominee) under the ESOP on the terms described in the Explanatory Statement."

Resolution 8 – Approval of proposed issue of Options to Charles Whitfield

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That for the purposes of Listing Rule 10.14 and for all other purposes, Shareholders approve the issue of:

- (a) *1,000,000 Series A Options; and*
- (b) *1,000,000 Series B Options,*

to Charles Whitfield (or his nominee) under the ESOP on the terms described in the Explanatory Statement."

Resolution 9 – Approval of proposed issue of Options to Garry Plowright

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That for the purposes of Listing Rule 10.14 and for all other purposes, Shareholders approve the issue of:

- (a) *500,000 Series A Options; and*
- (b) *250,000 Series B Options,*

to Garry Plowright (or his nominee) under the ESOP on the terms described in the Explanatory Statement."

VOTING EXCLUSIONS:

Resolution 1:

The Company will disregard any votes cast on Resolution 1 by or on behalf of "Key Management Personnel" (as defined in the Accounting Standards as published by the Australian Accounting Standards Board) and their "closely related parties".

Key Management Personnel (**KMP**) are the Company's Directors and Executives identified in the

Company's Remuneration Report. A closely related party of a KMP means a spouse or child of the KMP, a child of the KMP's spouse, a dependant of the KMP or the KMP's spouse and anyone else who is one of the KMP's family and may be expected to influence the KMP, or be influenced by the KMP, in the KMP's dealings with the Company or a company the KMP controls.

However, the Company need not disregard a vote if the vote is not cast on behalf of a person described above and either: (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or (b) the voter is the Chairman and the appointment of the Chairman as proxy does not specify the way the proxy is to vote on the resolution and expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the KMP.

Resolution 4:

The Company will disregard any votes cast on Resolution 4 by any person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 5:

The Company will disregard any votes cast on Resolution 5 by any person who may participate in the 10% Placement Facility and a person who might obtain a benefit, except a benefit solely in the capacity of a Shareholder, if the resolution is passed, and any of their associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 6, 7, 8 and 9:

The Company will disregard any votes cast on Resolution 6, 7, 8 and 9 by a Director (except one who is ineligible to participate in the ESOP) and any of his associates, unless it is cast:

- by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

In accordance with section 250BD of the Corporations Act, a vote on Resolution 6, 7, 8 and 9 must not be cast by a person appointed as a proxy, where that person is either a member of the Key Management Personnel or a Closely Related Party of such member.

However, a vote may be cast by such person if the vote is not cast on behalf of a person who is otherwise excluded from voting, and:

- the person is appointed as a proxy and the appointment specifies how the proxy is to vote; or
- the person appointed as proxy is the chairman of the Meeting and the appointment does not specify how the chairman is to vote but expressly authorises the chairman to exercise the proxy even if the resolution is connected with the remuneration of a member of the Key Management Personnel.

NOTES

These notes form part of the Notice of Meeting.

Time and Place of Meeting

Notice is given that a General Meeting of members will be held at Colin Biggers & Paisley, Level 42, 2 Park Street, Sydney NSW 2000 on 31 October 2016 commencing at 10.00 am AEDT.

Your Vote is Important

The business of the General Meeting affects your shareholding and your vote is important.

Voting Eligibility

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 7pm AEDT on Friday, 28 October 2016.

Voting in Person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, members are advised that:

- (a) each member has a right to appoint a proxy;
- (b) the proxy need not be a member of the Company; and
- (c) a member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

New sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Meeting. Broadly, the changes mean that:

- (a) if proxy holders vote, they must cast all directed proxies as directed; and
- (b) any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

- (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- (c) if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- (d) if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- (a) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- (b) the appointed proxy is not the chair of the meeting; and
- (c) at the meeting, a poll is duly demanded on the resolution; and
- (d) either of the following applies:
 - (i) the proxy is not recorded as attending the meeting;
 - (ii) the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

Voting by Corporate Representative

A body corporate that is a Shareholder, or that has been appointed as a proxy, may appoint an individual to act as its representative at the General Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the General

Meeting, evidence of appointment, including any authority under which it is signed, unless it has previously been given to the Company.

Voting by Attorney

A Shareholder may appoint an attorney to vote on their behalf. For an appointment to be effective for the Meeting, the instrument effecting the appointment (or a certified copy of it) must be received by the Company in one of the methods listed above for the receipt of Proxy Forms, so that it is received not later than 10am AEDT, Saturday, 29 October 2016.

Notice to Persons Outside Australia

This Explanatory Statement has been prepared in accordance with Australian laws, disclosure requirements and accounting standards. These laws, disclosure requirements and accounting standards may be different to those in other countries.

The distribution of this Explanatory Statement may, in some countries, be restricted by law or regulation. Accordingly, persons who come into possession of this Explanatory Statement should inform themselves of, and observe, any such restrictions.

Disclaimers

No person is authorised to give any information or make any representation in connection with the Takeover which is not contained in this Explanatory Statement. Any information or representation not contained in this Explanatory Statement, may not be relied on as having been authorised by the Company or the Board in connection with the Transaction.

Privacy

To assist the Company to conduct the General Meeting, the Company may collect personal information including names, contact details and shareholding of Shareholders and the names of persons appointed by Shareholders to act as proxy at the General Meeting. Personal information of this nature may be disclosed by the Company to its share registry, print and mail service providers, and the Company's agents for the purposes of implementing the Takeover. Shareholders have certain rights to access their personal information that has been collected and should contact the Company secretary if they wish to access their personal information.

ASIC and ASX involvement

Neither ASIC, ASX nor any of their officers take any responsibility for the contents of the Notice of Meeting and Explanatory Statement.

By Order of the Board

Leni Stanley
Joint Company Secretary
Hexagon Resources Limited
21 September 2016

EXPLANATORY STATEMENT

Purpose of this Explanatory Statement

This Explanatory Statement is provided to Shareholders to explain the Resolutions to be put to Shareholders at the Annual General Meeting to be held at Colin Biggers & Paisley, Level 42, 2 Park Street, Sydney NSW 2000 on 31 October 2016 commencing at 10.00 am AEDT.

The Directors recommend Shareholders read the accompanying Notice of Meeting and this Explanatory Statement in full before making any decision in relation to the Resolutions.

Receive and Consider the Financial Statements

The *Corporations Act* requires the Financial Report which includes the Financial Statements, Directors' Declaration, Directors' Report and the Auditor's Report to be laid before the Annual General Meeting. There is no requirement either in the *Corporations Act* or in the Constitution of the Company for Shareholders to approve the Financial Report, the Directors' Report or the Auditor's Report. Accordingly, the Company's Financial Report is placed before the Shareholders for discussion and no voting is required for this item of business.

Shareholders will have a reasonable opportunity at the Meeting to ask questions and make comments on these reports and on the business and operations of the Company.

Resolution 1: Adoption of Remuneration Report

The Remuneration Report of the Company for the period ended 30 June 2016 is set out in the Directors' Report section of the Company's 2016 Annual Report to Shareholders (**Remuneration Report**).

The Remuneration Report sets out the Company's remuneration arrangements for the executive and non-executive Directors. A reasonable opportunity will be provided for discussion of the Remuneration Report at the Meeting. In addition, section 250R(2) of the *Corporations Act* requires that Resolution 1 be put to a vote. However, the vote on this Resolution is only advisory and does not bind the Company or its Directors.

For proxies without voting instructions that are exercisable by the Chairman, the Chairman intends to vote undirected proxies in favour of each Resolution. If you wish to appoint the Chairman as your proxy with a direction to vote against, or to abstain from voting on an item of business, you should specify this by completing the appropriate 'Against' or 'Abstain' box on the proxy appointment form. The Chairman is deemed to be appointed where a signed proxy form is returned which does not contain the name of the proxy or where the person appointed on the form is absent.

Resolution 2 – Re-Election of Mr Charles Whitfield as a Director

In accordance with the Company's rotational retirement provisions, Mr Whitfield, having been appointed since the Company's last annual general meeting, is due to retire at this meeting and being eligible, offers himself for re-election at this Meeting.

Mr Whitfield was an executive Director for Galaxy Resources, where he had responsibility for strategy and finance during the significant turnaround of Galaxy from a distressed company to one of the preeminent lithium players it is today. Mr Whitfield is a Director of Drumrock Capital, which invests in, and provides advice to, turnaround and early stage technology and specialist resource companies. He was formerly a Managing Director within Citigroup, where he held the position of Head of the Corporate Equity Solutions Group (Asia Pacific) and prior to this, he worked for Deutsche Bank, where he was head of the Strategic Equity Transactions Group (Asia Pacific). Mr Whitfield received his Masters in Business Administration (majoring in Finance and Strategy) from Columbia Business School (New York) and his Bachelor of Economics from the University of Exeter (U.K.).

The Board (with Mr Whitfield abstaining) supports the re-election of Whitfield.

Resolution 3 – Re-Election of Mr Garry Plowright as a Director

In accordance with the Company's rotational retirement provisions, Mr Plowright is due to retire at this meeting and being eligible, offers himself for re-election at this meeting.

Mr. Plowright is an experienced executive with over 25 years' experience in commercial and technical development within the mining and exploration industry, working for some of Australia's leading resource companies. He had been involved in gold, base metals and iron ore exploration and mining development projects in Australia and worldwide.

Mr Plowright has experience with the supply and logistics of services to the mining and exploration industry, including capital raising, corporate governance and compliance, project management, mining and environmental approvals and regulations, contract negotiations, tenure management, land access and stakeholder and community engagement. Mr Plowright has extensive experience in mining law and has provided services to the industry in property acquisitions, project generation and joint venture negotiations.

Mr Plowright has held global operational and corporate roles with Gindalbie Metals Ltd, Mt Edon Gold Ltd, Pacmin Mining, Atlas Iron Ltd, Tigris Gold (South Korea) and Westland Titanium (New Zealand). He has a strong background in strategic management, business planning, building teams, capital/debt raising and experience with a variety of commodities.

The Board (with Mr Plowright abstaining) supports the re-election of Mr Plowright.

Resolution 4 – Ratification of Share placement

On 14 March 2016, the Company completed the issue of 16,662,500 Shares and 8,331,250 options to sophisticated or professional investors.

The purpose of Resolution 4 is for Shareholders to approve, pursuant to Listing Rule 7.4, the previous allotment and issue of Equity Securities, which will otherwise count towards the Company's 15% equity issue capacity under Listing Rule 7.1.

Listing Rule 7.1 provides that (subject to certain exceptions) prior approval of Shareholders is required for an issue of securities if the securities will, when aggregated with the securities issued by the company during the previous 12 months, exceed 15% of the number of the Shares on issue at the commencement of that 12 month period.

The issue of the Shares set out below did not exceed the 15% threshold. However, Listing Rule 7.4 provides that where a company subsequently approves an issue of Equity Securities, the issue will be treated as having been made with approval for the purpose of Listing Rule 7.1, thereby replenishing that company's 15% equity issue capacity and enabling it to issue further Equity Securities without Shareholders' approval up to that limit.

Resolution 4 proposes the approval of the above issue of securities for the purpose of Listing Rule 7.4. The effect of Resolution 4, if approved by Shareholders, is that the Shares and options issued under the placement will not count towards the Company's 15% issue capacity.

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided with regard to Resolution 4:

Name of person to whom Shares securities were issued	Professional or sophisticated investors who participated in the placement
Date of issue	14 March 2016
Number of securities issued	16,662,500 Shares and 8,331,250 options
Issue price of securities	Shares were issued at 8 cents per Share and the options were issued for nil consideration
Terms of issue	The Shares were issued having the terms set out in the Company's constitution. The options were issued with an exercise price of 12 cents and expire on 30 September 2017.
Use of funds	Working capital

Resolution 5 – Approval of 10% Placement Facility

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued Share capital through placements over a 12 month period after the AGM (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company is now seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (see below).

The Company is seeking a mandate to issue securities under the additional 10% Placement Facility to enable the Company to pursue its growth strategy with the flexibility to act quickly as potential business opportunities arise.

The Board believes that this Resolution 5 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution 5.

Description of Listing Rule 7.1A

(a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to Shareholder approval by way of a special resolution at an AGM.

(b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of this document, has on issue only 1 existing quoted class of Equity Securities, being Shares. The Company has unlisted Options on issue.

(c) Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained Shareholder approval at an AGM may issue or agree to issue, during the 12 month period after the date of the AGM, a number of Equity Securities calculated in accordance with the following formula:

(A x D) – E

'A' is the number of Shares on issue 12 months before the date of issue or agreement:

- (i) plus the number of fully paid Shares issued in the 12 months under an exception in Listing Rule 7.2;
- (ii) plus the number of partly paid Shares that became fully paid in the 12 months;
- (iii) plus the number of fully paid Shares issued in the 12 months with approval of holders of Shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid Shares under the entity's 15% placement capacity without Shareholder approval;
- (iv) less the number of fully paid Shares cancelled in the 12 months.

'D' is 10%;

'E' is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of Shareholders under Listing Rule 7.1 or 7.4.

(d) Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this document, the Company has on issue 234,454,247 Shares. The Company has a capacity to issue:

- (i) 7,324,387 Equity Securities under Listing Rule 7.1; and
- (ii) 21,545,425 Equity Securities under Listing Rule 7.1A.

As part of this Notice, in Resolution 4 the Company is seeking Shareholder ratification of the prior issue of 16,662,500 Shares and 8,331,250 options under Listing Rule 7.4 and renewal of the placement capacity under 7.1A. If Resolutions 4 and 5 are approved by Shareholders, the Company will have the capacity to issue:

- (i) 36,067,200 Equity Securities under Listing Rule 7.1; and
- (ii) 24,044,800 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section (c) above).

(e) Minimum Issue Price

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(f) 10% Placement Period

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the AGM at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the AGM at which the approval is obtained; or
- (ii) the date of the approval by Shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

or such longer period if allowed by ASX (**10% Placement Period**).

Listing Rule 7.1A

The effect of this Resolution 5 will be to allow the Company to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 5 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

- a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days immediately before:
 - (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
 - (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

- b) If this Resolution 5 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table. There is a risk that:
- (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
 - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of Shares for variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this document.

The table shows:

- (i) two examples where variable "A" has increased by 50% and 100%. Variable "A" is based on the number of Shares the Company has on issue. The number of Shares on issue may increase as a result of issues of Shares that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (ii) two examples of where the issue price of Shares has decreased by 50% and increased by 100% as against the current market price.

Table 1.

Variable "A" in Listing Rule 7.1A.2		Dilution		
		7 cents 50% decrease in Issue Price	14 cents Issue Price	28 cents 100% increase in Issue Price
Current Variable A 234,454,247 Shares	10% voting dilution	23,445,425 Shares		
	Funds raised	\$1,641,179.93	\$3,282,259.46	\$6,564,718.92
50% increase in current Variable A 351,681,371 Shares	10% voting dilution	35,168,137 Shares		
	Funds raised	\$2,461,769.59	\$4,923,539.19	\$9,847,078.37
100% increase in current Variable A 468,908,494 Shares	10% voting dilution	46,890,849 Shares		
	Funds raised	\$3,282,359.46	\$6,564,718.92	\$13,129,437.83

The table has been prepared on the following assumptions:

- (i) No Options are issued and exercised into Shares before the date of the issue of the Equity Securities.

- (ii) The 10% voting dilution reflects the aggregate percentage dilution against the issued Share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
 - (iii) The table shows only the effect of issue of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
 - (iv) The issue price is \$0.140, being the closing price of the Shares on ASX on 7 September 2016.
- c) The Company will only issue and allot the Equity Securities during the Placement Period. The approval under Resolution 5 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).
- d) The Company may seek to issue the Equity Securities for the following purposes:
- (i) for cash consideration, in which case the Company may use the funds raised towards making (or to securing the right to make) one or more acquisitions and/or to further its existing projects; and/or general working capital; or
 - (ii) non-cash consideration for the acquisition of (or securing the right to make acquisitions of) new projects and investments or to further its existing projects. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (iii) the methods of raising funds that are available to the Company, including but not limited to, rights issues or other issues in which existing security holders can participate;
- (iv) the effect of the issues of the Equity Securities on the control of the Company;
- (v) the financial situation and solvency of the Company; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this document but may include existing substantial Shareholders and/or new Shareholders who are not related parties or Associates of a related party of the Company.

Further, if the Company is successful in acquiring new assets or investments, it is possible that the allottees under the 10% Placement Facility will be the vendors of the new assets or investments.

- e) A voting exclusion statement is included in this document. At the date of this document, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in this document.
- f) The Company previously obtained Shareholder approval under Listing Rule 7.1A on 27 November 2015, which approval will expired on 26 November 2016.

In accordance with Listing Rule 7.3 A.6 the total number of Equity Securities issued in the 12 months preceding the date of this document is Nil representing Nil% of the Equity Securities on issue at the commencement of the 12 month period.

The Company has issued the following Equity Securities in the 12 months preceding the date of this document:

Table 2 – Previous equity issues

<i>Date of Issue</i>	<i>Number of Securities</i>	<i>Class</i>	<i>Issue Price</i>	<i>Discount to Market price</i>	<i>Total Consideration</i>	<i>Valuation</i>	<i>Allottee / Basis of allotment</i>
14/3/16	16,662,500 Shares	ORD	8 cents	5.9%	\$1,333,000	\$1,333,000	<i>Sophisticated and Professional investors who participated in placement</i>
14/3/16	8,331,250 options	Option	nil	N/A	Nil	N/A	<i>Sophisticated and Professional investors who participated in placement</i>

In the 12 months preceding the date of this document, the Company has received total cash consideration from issue of shares under placement and exercise of unlisted options and performance rights of \$1,611,500. The Company has used \$1,611,500 of the cash consideration received to fund working capital.

The Board intends to use the working capital existing at the date of this document (which includes funds raised pursuant to the above placements) to provide working capital and to pursue its growth strategy with the flexibility to act quickly as potential business opportunities arise.

Directors' recommendation

The Directors recommend that Shareholders approve Resolution 5.

Resolution 5 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

Information pertaining to Resolutions 6 to 9

Resolutions 6, 7, 8 and 9 pertain to the issue of Options under the ESOP to Directors.

Regulatory requirements

Listing Rules

Resolutions 6, 7, 8 and 9 seek Shareholder approval in order to comply with the requirements of Listing Rule 10.14.

Listing Rule 10.14 provides that the Company must not issue equity securities to a Director under an employee incentive scheme unless the issue has been approved by holders of ordinary securities. If approval is given by Shareholders under Listing Rule 10.14, separate Shareholder approval is not required under Listing Rule 10.11 or Listing Rule 7.1.

Under Resolutions 6, 7, 8 and 9, the Company seeks approval from Shareholders for the issue of Options to Neville Miles, Anthony Cormack, Charles Whitfield and Garry Plowright respectively under the ESOP who, by virtue of their positions as Directors, are related parties of the Company.

Corporations Act

The Board has determined that the issue of Options contemplated by Resolutions 6, 7, 8 and 9 constitute reasonable remuneration. Therefore, Shareholder approval is not required under Chapter 2E of the Corporations Act.

Terms of Options

The Terms of the Options the subject of Resolutions 6, 7, 8 and 9 are set out in Schedule 1 of this Explanatory Statement.

Resolutions 6, 7, 8 and 9 – Approval of proposed issue of Options to Directors

The Board has determined that the grant of the Series A Options and Series B Options to Neville Miles, Anthony Cormack, Charles Whitfield and Garry Plowright under the ESOP constitutes an appropriate incentive designed to align the efforts of each with the Company's performance, as well as reasonable remuneration, having regard to (among other things) the scope of his role, the business challenges facing the Company and market practice for the remuneration of non-executive officers in positions of similar responsibility.

In compliance with the information requirements of Listing Rule 10.15, Shareholders are advised of the following information:

Relevant relationships

The Series A Options and Series B Options are proposed to be issued to each of Neville Miles, Anthony Cormack, Charles Whitfield and Garry Plowright, each of whom is a Director of the Company and, as such, is a related party of the Company.

Maximum number of securities

The maximum number of securities that may be acquired under Resolutions 6, 7, 8, and 9 are:

- (a) Resolution 6 - Neville Miles:
 - (i) 1,500,000 Series A Options, which will convert upon exercise into an equal number of Shares; and
 - (ii) 500,000 Series B Options, which will convert upon exercise into an equal number of Shares;
- (b) Resolution 7 - Anthony Cormack
 - (i) 2,000,000 Series A Options, which will convert upon exercise into an equal number of Shares; and
 - (ii) 500,000 Series B Options, which will convert upon exercise into an equal number of Shares;
- (c) Resolution 8 - Charles Whitfield
 - (i) 1,000,000 Series A Options, which will convert upon exercise into an equal number of Shares; and
 - (ii) 1,000,000 Series B Options, which will convert upon exercise into an equal number of Shares;
- (d) Resolution 9 - Garry Plowright
 - (i) 500,000 Series A Options, which will convert upon exercise into an equal number of Shares; and
 - (ii) 250,000 Series B Options, which will convert upon exercise into an equal number of Shares.

Issue price

The Series A and Series B Options are being issued for nil consideration.

The Series A Options and Series B Options have an exercise of \$0.133, being the volume weighted average price of the Company's shares in the 10 trading days before and up to 9 September 2016.

Previous issues under the ESOP

To date, 3,500,000 Options have been issued under the ESOP, on 7 June 2016. The persons who received Options were:

- Neville Miles, 500,000 options, issue price nil;
- Garry Plowright, 500,000 options, issue price nil;
- Tony Cormack, 2,000,000 options, issue price nil;
- Matthew Robertson, 150,000 options, issue price nil;
- Amy Doherty, 50,000 options, issue price nil;
- Brent van Staden atf van Staden Family Trust, 50,000 options, issue price nil;
- Leni Stanley and Pia Smith atf LPS Super Fund, 100,000 options, nil consideration; and
- KMB Australia Pty Ltd, 150,000 options, nil consideration.

Eligible participants under the ESOP

A director of the Company, an employee of a member of the Group or any person who is engaged in the provision of services to or acts in an advisory capacity for the Group, as designated by the Board.

Issue date for the Options

To be determined by the Board but, in any event, no later than 1 month after the date of the Meeting.

Terms of any loan

There are no applicable loans.

Voting exclusion statement

Voting exclusion statements for Resolutions 6, 7, 8 and 9 are included in the Notice preceding this Explanatory Statement.

Schedule 1 - Terms of Series A and Series B Options to be issued pursuant to Resolutions 6, 7, 8 and 9

Number of Options and Option Holders	<p>(a) Resolution 6 Neville Miles:</p> <p>(i) 1,500,000 Series A Options, which will convert upon exercise into an equal number of Shares; and</p> <p>(ii) 500,000 Series B Options, which will convert upon exercise into an equal number of Shares;</p> <p>(b) Resolution 7 Anthony Cormack</p> <p>(i) 2,000,000 Series A Options, which will convert upon exercise into an equal number of Shares; and</p> <p>(ii) 500,000 Series B Options, which will convert upon exercise into an equal number of Shares;</p> <p>(c) Resolution 8 Charles Whitfield</p> <p>(i) 1,000,000 Series A Options, which will convert upon exercise into an equal number of Shares; and</p> <p>(ii) 1,000,000 Series B Options, which will convert upon exercise into an equal number of Shares;</p> <p>(d) Resolution 9 Garry Plowright</p> <p>(i) 500,000 Series A Options, which will convert upon exercise into an equal number of Shares; and</p> <p>(ii) 250,000 Series B Options, which will convert upon exercise into an equal number of Shares.</p>
Vesting Conditions - Series A Options	<p>The Series A Options will vest and become capable of exercise upon the Company securing finance (whether or not subject to conditions) for development of the McIntosh Project to production. Finance may consist of debt, equity or a combination thereof or may involve a joint venture or similar arrangement with a third party who undertakes to finance the project to production.</p>
Vesting Conditions - Series B Options	<p>The Series B Options will vest and become capable of exercise if the Company's volume weighted average share price on ASX is above 30 cents for at least 20 consecutive trading days.</p>
Expiry Date - Series A Options	<p>The Series A Options will lapse and be incapable of exercise if they have not vested and been exercised by 30 June 2018.</p>
Expiry Date - Series B Options	<p>The Series B Options will lapse and be incapable of exercise if they have not vested and been exercised by 30 June 2018.</p>
Automatic Vesting of Series A and Series B Options	<p>The Series A Options and the Series B Options will vest and be capable of immediate exercise (despite anything else in this table) from the date that:</p> <p>(a) any takeover bid under Chapter 6 of the Corporations Act for the Company becomes unconditional; or</p> <p>(b) a scheme of arrangement by virtue of which the Company will be acquired by, will acquire or merge with another entity, is approved by a court of competent jurisdiction and all other approvals for the scheme are obtained; or</p> <p>(c) in respect of a Director, if that Director is removed as a Director by a resolution of Shareholders.</p>

Issue Price of Options	The Options will be issued at no cost.
Exercise Price of Options	The Series A and Series B Options have an exercise price of \$0.133, being the volume weighted average price of the Company's shares in the 10 trading days before and up to 9 September 2016.
Lapse/forfeiture	The Series Options issued will lapse on the earliest of: <ul style="list-style-type: none"> (a) 30 June 2018; or (b) in respect of a Director, if that Director is removed as a Director by a resolution of Shareholders and he does not exercise the Options within 2 months of removal from office; or (c) the Board determining, acting reasonably, that the director has acted dishonestly, fraudulently or in material breach his material obligations to the Company
No dealing or hedging	Dealing restrictions apply to Series A and Series B Options in accordance with Company's securities trading policy.
Rights attaching to shares	Shares issued on exercise of Series A and Series B Options will rank equally with existing ordinary Shares on issue at the time of allotment.
Company may issue or acquire shares	For the avoidance of doubt the Company may, in its absolute discretion, either issue new shares or acquire shares already on issue, or a combination of both, to satisfy the Company's obligations in respect of Options.
Loans	No loan will be provided by the Company in relation to the grant or exercise of the Series A or Series B Options.
Adjustments	Except as set out below, the Option Holder may only participate in any new issue of Equity Securities by the Company if the Series A or Series B Options have been exercised and Shares (Option Shares) issued pursuant to exercise have been issued and allotted before the record date for determining entitlements to the issue. However, if, prior to the allotment of Option Shares, the Company undertakes a <i>pro rata</i> bonus issue of Equity Securities to Shareholders for no consideration, the number of Shares over which a Series A or Series B Option is exercisable will be increased by the number of Equity Securities which the Option Holder would have received if the Series A or Series B Option had been exercised before the record date for the bonus issue. If, before the Series A or Series B Options are exercised or expire, the Company reorganizes its capital, the Series A and Series B Options will be reorganised in the manner required by the ASX Listing Rules.
Not Transferable	The Series A and Series B Options are not transferable.
Not Quoted	The Series A and Series B Options will not be listed on any Securities Exchange.
Options Holders	A Director may elect to hold the Series A and Series B Options himself or through a person or entity nominated by him in writing.

Glossary

In this Explanatory Statement and the Notice of Meeting:

AEDT means Australian Eastern Daylight Time.

ASIC means the Australian Securities and Investments Commission.

ASX means the Australian Securities Exchange operated by ASX Limited ACN 008 624 691 and includes any successor body.

ASX Listing Rules means the listing rules of the ASX from time to time.

Board means the Company's board of Directors

Company or **Hexagon** means Hexagon Resources Limited ACN 099 098 192

Constitution means the constitution of the Company.

Corporations Act means the *Corporations Act 2001* (Cth).

Director(s) means a current director of the Company.

ESOP means the Company's Employee Share Option Plan approved at the Company's 2015 annual general meeting.

Explanatory Statement means this Explanatory Statement that accompanies and forms part of the Notice of Meeting.

KMP means a member of the key management personnel named in the Company's latest remuneration report.

Listing Rules means the Listing Rules of the ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by the ASX.

Meeting or **Annual General Meeting** means the annual general meeting of the Company the subject of this Notice of Meeting.

Notice of Meeting means this notice of annual general meeting which this Explanatory Statement accompanies and in which the Resolutions are set out.

Option Holder means the person to whom Options are issued by the Company.

Options means Series A or Series B options to subscribe for Shares under the ESOP.

Resolution means the resolutions in the Notice of Meeting.

Share means a fully paid ordinary share in the Company.

Shareholder means a holder of Shares.

All Correspondence to:

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia

📠 **By Fax:** +61 2 9290 9655

💻 **Online:** www.boardroomlimited.com.au

☎ **By Phone:** (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 10:00am (AEDT) on Saturday, 29 October 2016.**

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders should sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **10:00am (AEDT) on Saturday, 29 October 2016.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

📠 By Fax	+ 61 2 9290 9655
✉ By Mail	Boardroom Pty Limited GPO Box 3993, Sydney NSW 2001 Australia
👤 In Person	Boardroom Pty Limited Level 12, 225 George Street, Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of Hexagon Resources Limited (Company) and entitled to attend and vote hereby appoint:

the Chair of the Meeting (mark box)

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Annual General Meeting of the Company to be held at **Colin Biggers & Paisley, Level 42, 2 Park Street, Sydney NSW 2000 on Monday, 31 October 2016 at 10:00am (AEDT)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

Chair of the Meeting authorised to exercise undirected proxies on remuneration related matters: If I/we have appointed the Chair of the Meeting as my/our proxy or the Chair of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolutions 1,6,7,8 & 9, I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of these Resolutions even though Resolutions 1,6,7,8 & 9 are connected with the remuneration of a member of the key management personnel for the Company.

The Chair of the Meeting will vote all undirected proxies in favour of all Items of business (including Resolutions 1,6,7,8 & 9). If you wish to appoint the Chair of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that resolution.

STEP 2 VOTING DIRECTIONS
 * If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	To re-elect Mr Charles Whitfield as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	To re-elect Mr Garry Plowright as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Ratification of Securities Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approval of Proposed Issue of Options to Mr Neville Miles	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Approval of Proposed Issue of Options to Mr Anthony Cormack	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Approval of Proposed Issue of Options to Mr Charles Whitfield	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Approval of Proposed Issue of Options to Mr Gary Plowright	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 3 SIGNATURE OF SHAREHOLDERS
 This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2016