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ASX Limited  
Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

26 February 2021

### HEXAGON ENERGY MATERIALS LIMITED - SUPPLEMENTARY BIDDER'S STATEMENT

On 16 February 2021, **Hexagon Energy Materials Limited (ASX:HXG) (Hexagon)** lodged a bidder's statement in respect of an off-market takeover bid under Chapter 6 of the *Corporations Act 2001 (Cth)* (**Takeover Bid**) for all of the fully paid ordinary shares in Ebony Energy Limited (ACN 149 240 657) (**Ebony**).

Attached is a copy of the first supplementary bidder's statement dated 26 February 2021 in relation to the Takeover Bid (**First Supplementary Bidder's Statement**).

The First Supplementary Bidder's Statement was lodged with ASIC and given to Ebony earlier today.

For and on behalf of the Board of Hexagon

A handwritten signature in blue ink, appearing to read "C. Whitfield".

Charles Whitfield

Chairman

**ENDS**

**HEXAGON ENERGY MATERIALS LIMITED**

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## Hexagon Energy Materials Limited ACN 099 098 192

This is a supplementary bidder's statement (**Supplementary Bidder's Statement**) under section 643 of the *Corporations Act 2001* (Cth) issued by Hexagon Energy Materials Limited ACN 099 098 192 (**Hexagon**) in connection with Hexagon's off-market takeover bid for all the ordinary shares in Ebony Energy Limited ACN 149 240 657 (**Ebony**) contained in Hexagon's bidder's statement dated 16 February 2021 (**Bidder's Statement**).

This Supplementary Bidder's Statement supplements, and should be read together with the Bidder's Statement.

Unless the context requires otherwise, terms defined in the Bidder's Statement have the same meaning in this Supplementary Bidder's Statement.

A copy of this Supplementary Bidder's Statement was lodged with ASIC on 26 February 2021. This document will prevail to the extent of any inconsistency with the Bidder's Statement. Neither ASIC nor any of its officers take any responsibility for the content of this Supplementary Bidder's Statement.

### Supplementary Bidder's Statement

#### 1. FINANCIAL INFORMATION

Hexagon notes, as per Table 4.7.1 at section 4.7 of the Bidder's Statement, that Hexagon held cash and cash equivalents of \$1,205,587 as at 30 June 2020.

In section 3 of the Bidder's Statement Hexagon notes that Hexagon held cash of \$640,036 as at 31 December 2020.

The reduction in cash held between 30 June 2020 and 31 December 2020 of \$565,551 can be attributed to:

- (i) exploration expenditure at the Projects of approximately \$534,337 over the 6-month period; and
- (ii) working capital expenditure of approximately \$501,214 for the 6-month period.

This expenditure was partially offset by a placement of \$500,000 to sophisticated and professional investors with net proceeds of \$470,000, as announced on 21 December 2020.

Please see the ASX announcement dated 21 December 2020 for further information in this regard:

<https://www.asx.com.au/asx/v2/statistics/announcements.do?by=asxCode&asxCode=HXG&timeframe=Y&year=2020>.

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## 2. UPDATES TO THE BIDDER'S STATEMENT

In addition to the above, the following updates are provided with respect to the Bidder's Statement.

(a) **Calculation of Offer Price**

The Offer Price of 1 Hexagon Share for every 1.32 of Your Ebony Energy Shares (with any fractional entitlements to be rounded up to the next whole number of Hexagon Shares), represents an implied value of \$0.045 per Ebony Energy Share based on Hexagon's closing share price on 16 December 2020 (being the last day of trading in Hexagon Shares prior to the Announcement Date) of \$0.06 per Hexagon Share.

During negotiations between Hexagon and Ebony Energy regarding the terms of the Takeover Bid, Hexagon's closing share price was \$0.06 representing a market capitalisation of approximately \$18,000,000.

For the purposes of applying a value to Ebony Energy, the Hexagon Board considered, based on information provided by Ebony Energy, the likely amount that could be raised if Ebony Energy decided to undertake an initial public offering. The Hexagon Board and the Ebony Energy Board agreed this amount was approximately \$7,000,000.

As a result of these key metrics it was agreed by Hexagon and Ebony Energy that the result of the Takeover Bid should be that Ebony Energy would hold approximately 25% of the Merged Group before taking into account liabilities of Ebony Energy that will remain with the Merged Group (as reflected in Table 9.6.1 of the Bidder's Statement).

(b) **Chairman's Letter**

The Chairman's Letter is updated to include the following immediately preceding the section titled '**Compelling Offer for Ebony Energy Shareholders**':

The Takeover Bid is subject to a number of key dependencies and risks (detailed in full in section 10 of this Bidder's Statement) including the possible need to raise additional funding to meet the work commitments associated with the Projects and, following completion of the Takeover Bid (if successful), the Pedirka Project. Further, in accepting the Offer, Ebony Energy Shareholders are removing the possibility of participating in any potential upside that may be available to Ebony Energy Shareholders, in the event that Ebony Energy were able to fund the development of the Pedirka Project and then undertake an initial public offering on the ASX at some point in the future. In accepting the Offer, Ebony Energy Shareholders are placing control of the Pedirka Project into Hexagon, whose directors and shareholders may make different decisions as to the development of the Pedirka Project than those currently proposed by Ebony Energy Directors.

(c) **Why you should accept the Offer**

In Section 1, particularly section 1.2, of the Bidder's Statement, Hexagon notes that the benefits and reasons for accepting the Offer detailed will only come to

fruition in the event an Ebony Energy Shareholder accepts the Offer and the Offer becomes, or is declared, unconditional.

(d) **Why you should not accept the Offer**

Section 1 is updated to include a section 1.8, which includes the following:

**1.8 Reasons not to accept the Offer**

Possible reasons why individual Ebony Energy Shareholder may choose not to accept the Offer are:

- (i) the Offer is subject to a number of key dependencies and risks, that are detailed in full in section 10 of this Bidder's Statement, including the possible need to for additional financing in the future to meet the work commitments associated with the Projects and, following completion of the Takeover Bid (if successful) the Pedirka Project;
- (ii) in accepting the Offer, Ebony Energy Shareholders are removing the possibility of participating in any potential upside that may be available to Ebony Energy Shareholders, in the event that Ebony Energy were able to fund the development of the Pedirka Project and then undertake an initial public offering on the ASX at some point in the future;
- (iii) in accepting the Offer Ebony Energy Shareholders are placing control of the Pedirka Project into Hexagon, whose directors and shareholders may make different decisions as to the development of the Pedirka Project than those currently proposed by Ebony Energy Directors; and
- (iv) if you believe that the risks set out in Section 10.2 outweigh the reasons why you should accept the Offer as set out in Section 1.

(e) **The conditions of the Offer**

- (i) In section 1.4 of the Bidder's Statement, Hexagon notes that a further condition to the Offer is Hexagon obtaining shareholder approval for Hexagon to undertake a significant change in the nature of its activities as contemplated by Listing Rule 11.1.

As announced to the ASX on 8 February 2021, Hexagon has scheduled the Hexagon Shareholder meeting to obtain the Hexagon Shareholder Approval for 10 March 2021. Hexagon notes the risk at section 10.2(a) of the Bidder's Statement with respect to this condition; and

- (ii) In section 3 of the Bidder's Statement, at '*What are the conditions of the Offer?*', Hexagon notes that a further condition to the Offer is Hexagon obtaining shareholder approval for Hexagon undertaking a significant change in the nature of its activities as contemplated by Listing Rule 11.1 as described above. Hexagon notes the risk described at section 10.2(a) of the Bidder's Statement with respect to this condition.

(f) **Risks**

In section 3 of the Bidder's Statement, at '*Are there any risks in accepting the Offer?*', Hexagon provides the following summary of the risks associated with holding Hexagon Shares. A complete version of these risks is provided at section 10.2 of the Bidder's Statement:

- (i) **(Contractual and completion risk)** The Takeover Bid is subject to certain conditions precedent being satisfied or waived. This includes Hexagon obtaining shareholder approval pursuant to the Hexagon Shareholder Approval. There is no assurance that this Shareholder approval will be obtained, in which case the transaction would not proceed.
- (ii) **(Additional Requirements for Capital)** The capital requirements of Hexagon depend on a number of factors. Hexagon may require additional financing in the future. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If Hexagon is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations.
- (iii) **(Exploration and Development Costs)** The exploration and development costs of Hexagon are based on certain assumptions with respect to the method and timing of exploration and development. These estimates and assumptions are subject to significant uncertainties and, as a result, the actual costs may materially differ from these estimates and assumptions.
- (iv) **(Exploration and Development Success)** Hexagon's (including, following the completion of the Takeover Bid, Ebony Energy's) tenements are at various stages of exploration and development, and potential investors should understand that mineral exploration and development are high-risk undertakings. There can be no assurance that exploration and development of the tenements, or any other licenses that may be acquired in the future, will result in the discovery of an economic ore deposit.
- (v) **(Mineral Resources Estimates)** No assurance can be given that any Mineral Resources that are estimated by Hexagon will be recovered or that they will be recovered at the rates estimated. Mineral Resource estimates are based on limited sampling, and, consequently, are uncertain because the samples may not be representative. Mineral Resource estimates may require revision (either up or down) based on actual production experience. Any future Mineral Resource or Ore Reserve figures will be estimates and there can be no assurance that the minerals are present, will be recovered or that it can be brought into profitable production.
- (vi) **(Operational risk)** Future mining operations of Hexagon may be affected by various factors, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated

metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

- (vii) **(Exploration risks)** Mining exploration and development is a high-risk undertaking. The success of Hexagon depends on the delineation of economically minable Mineral Resources and Ore Reserves, access to required development capital, movement in the price of commodities, securing and maintaining title to Hexagon's exploration and mining tenements and obtaining all consents and approvals necessary for the conduct of its exploration activities. Exploration of Hexagon's (and, following completion of the Takeover Bid, Ebony Energy's) existing mining tenements may be unsuccessful, resulting in a reduction of the value of those tenements and diminution in the cash reserves of Hexagon. The exploration costs of Hexagon are based on certain assumptions with respect to the method and timing of exploration. No assurance can be given that cost estimates and underlying assumptions will be realised in practice, which may materially and adversely affect Hexagon's viability.
- (viii) **(Environmental)** The operations and proposed activities of Hexagon are subject to laws and regulations concerning the environment. It is Hexagon's intention to conduct its activities to the highest standard of environmental obligations, including compliance with all environmental laws. Mining operations have inherent risks and liabilities associated with safety and damage to the environment and the disposal of waste products occurring as a result of mineral exploration and production. The occurrence of any such safety or environmental incident could delay production or increase production costs. Significant liabilities could be imposed on Hexagon for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous operations or non-compliance with environmental laws or regulations. There is a risk that environmental laws and regulations become more onerous making Hexagon's operations more expensive. Approvals are required for land clearing and for ground disturbing activities. Delays in obtaining such approvals can result in the delay to anticipated exploration programmes or mining activities.
- (ix) **(Mine development)** Possible future development of a mining operation at any of Hexagon's projects is dependent on a number of factors including, but not limited to, the acquisition and/or delineation of economically recoverable mineralisation, favourable geological conditions and receiving the necessary approvals from all relevant authorities and parties (a more complete list of factors is provided for in section 10.2 of the Bidder's Statement). If Hexagon commences production, its operations may be disrupted by a variety of risks and hazards which are beyond its control, including environmental hazards, industrial accidents and technical failures (a more complete list of risks and hazards is provided for in section 10.2 of the Bidder's Statement). No assurance can be given that Hexagon will achieve

commercial viability through the development or mining of its projects and treatment of ore.

- (x) **(Insurance risks)** Hexagon intends to insure its operations in accordance with industry practice. However, in certain circumstances, Hexagon's insurance may not be of a nature or level to provide adequate insurance cover. Insurance against all risks associated with mining exploration and production is not always available and where available the costs can be prohibitive.
- (xi) **(Commodity price volatility and exchange rate risks)** If Hexagon achieves success leading to mineral production or downstream processing operations, the revenue it will derive through the sale of commodities exposes the potential income of Hexagon to commodity price and exchange rate risks. Many factors influence the price of graphite, gold, nickel, copper and related commodities which are largely beyond the control of Hexagon. Other demand factors that present risk include possible substitution of graphite specifically for other materials or technological advances where these materials may no longer be required. Supply aspects such as proposed new graphite projects, could also represent a risk to securing off-take contracts and assumed commodity prices.
- (xii) **(Tenure and access)** Mining and exploration tenements are subject to periodic renewal. There is no guarantee that current or future tenements or future applications for production tenements will be approved. Hexagon's tenements are subject to the applicable mining acts and regulations in Western Australia. Ebony Energy's tenements are subject to the applicable mining acts and regulations in the Northern Territory. The renewal of the term of a granted tenement is also subject to the discretion of the relevant minister.

Further, Hexagon notes general risks in relation to the Offer. A complete version of these risks is provided for at section 10.3 of the Bidder's Statement:

- (i) risks associated with the trading price of shares;
- (ii) risks associated with exposure to possible litigation risks including contractual disputes, occupational health and safety claims and employee claims;
- (iii) risks associated with general economic conditions, movements in interest and inflation rates having an adverse effect on Hexagon's activities;
- (iv) risks associated with reliance on senior management and key personnel of Hexagon;
- (v) risks associated with events outside the control of Hexagon including labour unrest, civil disorder, war, subversive activities or sabotage, extreme weather conditions, fires, floods, explosions or other catastrophes, epidemics, pandemics or quarantine restrictions; and
- (vi) risks associated with acquisitions of, or significant investments in, companies, assets or projects complementary to Hexagon's existing operations

(g) **Hexagon's Mineral Resources (section 4.4)**

The table included on page 12 of the Bidder's Statement (section 4.4) relating to Hexagon's current Mineral Resources is deleted and replaced with the below table and footnote:

JORC Classification	Tonnes (Mt)	TGC (%)	Contained Graphite (kt)
Total Indicated	19.2	4.44%	854
Total Inferred	4.6	4.5%	206
Total Indicated & Inferred	23.8	4.45%	1,060

<sup>1</sup> The resource data and statement referenced in the above table have previously being lodged by Hexagon with the ASX via the announcement dated 17 April 2019 'March 2019 Quarterly Activities & Cash Flow Report' (link: <https://www.asx.com.au/asx/v2/statistics/announcements.do?by=asxCode&asxCode=HXG&timeframe=Y&year=2019>). Hexagon is not aware of any new information or data that materially affects the information included in the original market announcement referred to above, and that all material assumptions and technical parameters have not materially changed.

The reason for the deletion and replacement of the table referred to above is to correct a typographical error in the Bidder's Statement and to provide a breakdown of the total indicated and total inferred resources.

(h) **Unmarketable Parcel Shareholders**

Hexagon confirms (as provided for in section 1 of the Bidder's Statement, at 'Can I accept the offer if I would receive an Unmarketable Parcel of Hexagon Shares?') that where, in accepting the Offer, an Ebony Energy Shareholder would receive any Unmarketable Parcel of Hexagon Shares (being a parcel of shares, the value of which is less \$500), that individual Ebony Energy Shareholder will not receive Hexagon Shares.

Rather the Hexagon Shares that the individual Ebony Energy Shareholder would otherwise receive will be sold on the ASX and that the Ebony Energy Shareholder will be provided with the net sale proceeds.

(i) A section 7.8 is added into the Bidder's Statement and provides that:  
If in accepting the Offer you will become an Unmarketable Parcel Shareholder, then, despite any other provision of the Offer, you will not receive Hexagon Shares as part of the Offer Consideration. Instead, you will receive a cash amount determined in accordance with section 12.7 of this Bidder's Statement.

(ii) Footnote 8 to Section 10.1 of the Bidder's Statement, is deleted and replaced with the following:

<sup>8</sup> If you are a Foreign Ebony Energy Shareholder, you will not receive Hexagon Shares as part of the Offer Consideration. Instead, you will receive a cash amount determined in accordance with section 12.7 of this Bidder's Statement. Please see sections 11.10 and 12.7 of this Bidder's Statement for further details. If, in accepting the Offer, you will become an Unmarketable Parcel Shareholder you will not receive

Hexagon Shares as part of the Offer Consideration, rather the Hexagon Shares you would otherwise receive will be sold on the ASX and you will be provided with the net sale proceeds of that sale.

- (iii) Section 12.1(c) of the Bidder's Statement is deleted and replaced with the below:

If, at the time the Offer is made to you, you are a Foreign Ebony Energy Shareholder or, in accepting the Offer you will become an Unmarketable Parcel Shareholder, then, despite any other provision of the Offer, you will not receive Hexagon Shares as part of the Offer Consideration. Instead, you will receive a cash amount determined in accordance with section 12.7 of this Bidder's Statement.

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### 3. CONSENTS

The information in this Supplementary Bidder's Statement that relates to Hexagon's Mineral Resources and Ore Reserves is extracted from the report entitled "March 2019 Quarterly Activities & Cash Flow Report" dated 17 April 2019 and is available to view at: <https://www.asx.com.au/asx/v2/statistics/announcements.do?by=asxCode&asxCode=HXG&timeframe=Y&year=2019>.

Hexagon confirms that is not aware of any new information or data that materially affects the information included in the original market announcement referred to above, and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

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## **APPROVAL OF SUPPLEMENTARY BIDDER'S STATEMENT**

This Supplementary Bidder's Statement has been approved by a unanimous resolution of the directors of Hexagon.

Signed for and on behalf of Hexagon Energy Materials Limited by:



Charles Whitfield  
Chairman