

**HAWKSTONE MINING LIMITED  
ACN 008 720 223**

**NOTICE OF GENERAL MEETING**

**The General Meeting of the Company will be held at  
Suite 23, 513 Hay Street, Subiaco, Western Australia on  
Friday, 3 August 2018 at 11.00am (WST).**

*The Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.*

*Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on +61 8 6143 6705.*

Shareholders are urged to attend or vote by lodging the proxy form attached to the Notice

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# HAWKSTONE MINING LIMITED

ACN 008 720 223

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## NOTICE OF GENERAL MEETING

Notice is hereby given that the general meeting of Shareholders of Hawkstone Mining Limited (**Company**) will be held at Suite 23, 513 Hay Street, Subiaco, Western Australia on Friday, 3 August 2018 at 11.00am (WST) (**Meeting**).

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of the Notice.

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 as Shareholders of the Company on Wednesday, 1 August 2018 at 5pm (WST).

Terms and abbreviations used in the Notice are defined in Schedule 1.

## AGENDA

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### 1. Resolution 1 - Approval to change in scale of activities

To consider and, if thought fit, to pass with or without amendment, as an **ordinary resolution** the following:

*"That, subject to each of the other Acquisition Resolutions being passed, pursuant to and in accordance with Listing Rule 11.1.2 and for all other purposes, Shareholders approve the significant change in the scale of the Company's activities resulting from the Acquisition and the Capital Raising, on the terms and conditions set out in the Explanatory Memorandum."*

#### Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by a person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the Resolution is passed and any associates of those persons.

However, the Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chair 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.

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### 2. Resolution 2 - Approval to issue Consideration Shares

To consider and, if thought fit, to pass with or without amendment, as an **ordinary resolution** the following:

*"That, subject to each of the other Acquisition Resolutions being passed and Completion occurring, pursuant to and in accordance with Listing Rule 7.1 and for*

*all other purposes, Shareholders approve the issue of up to 250,000,000 Consideration Shares at a deemed issue price of \$0.02 per Share to the Vendors (or their nominees) on the terms and conditions set out in the Explanatory Memorandum."*

#### **Voting Exclusion**

The Company will disregard any votes cast in favour of this Resolution by the Vendors (or their nominees) and a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue of Consideration Shares (except a benefit solely by reason of being a holder of ordinary securities in the Company), or any associates of those persons.

However, the Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chair 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.

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### **3. Resolution 3 - Ratification of Prior Issues**

To consider, and if thought fit, to pass with or without amendment, as a separate ordinary resolution the following:

*"That pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of:*

- (a) *12,500,000 Tranche 1 Placement Shares at \$0.02 each under Listing Rule 7.1;*
- (b) *12,500,000 Tranche 2 Placement Shares at \$0.02 each under Listing Rule 7.1;*
- (c) *12,500,000 Option Fee Shares at a deemed issue price of \$0.02 each under Listing Rule 7.1; and*
- (d) *1,500,000 Advisor Shares under Listing Rule 7.1,*

*each on the terms and conditions in the Explanatory Memorandum".*

#### **Voting Exclusion**

The Company will disregard any votes cast in favour of each Resolution by or on behalf of a person who participated in each issue and their respective associates.

However, the Company need not disregard a vote if:

- (a) 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
- (b) it is cast by the Chairperson 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.

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## 4. Resolution 4 - Approval to issue Capital Raising Shares

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, subject to each of the other Acquisition Resolutions being passed, pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 125,000,000 Capital Raising Shares at \$0.02 each on the terms and conditions in the Explanatory Memorandum."*

### Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue of Capital Raising Shares (except a benefit solely by reason of being a holder of ordinary securities in the Company), or any associates of those persons.

However, the Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chair 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.

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## 5. Resolution 5 - Approval to issue Advisor Securities

To consider and, if thought fit, to pass with or without amendment, each as a separate ordinary resolution the following:

*"That, subject to each of the other Acquisition Resolutions being passed, pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of:*

- (a) *up to 30,000,000 Advisor Options; and*
- (b) *up to 7,500,000 Advisor Shares,*

*to Longreach Capital (or its nominees) on the terms and conditions in the Explanatory Memorandum."*

### Voting Exclusion

The Company will disregard any votes cast in favour of these Resolutions by Longreach Capital (and its nominees) and any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue of Advisor Securities (except a benefit solely by reason of being a holder of ordinary securities in the Company), or any associates of those persons.

The Company will not disregard a vote if:

- (c) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (d) it is cast by the Chair 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.

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## 6. Resolution 6 - Approval of issue of Director Options

To consider and, if thought fit, to pass with or without amendment, each as a separate ordinary resolution the following:

*"That, subject to each of the other Acquisition Resolutions being passed and Completion occurring, for the purposes of sections 195(4) of the Corporations Act, Listing Rule 10.14 and for all other purposes, approval is given for the issue of Options to Directors (or their nominees) as follows:*

- (a) *up to 30,000,000 Options to Mr Paul Lloyd;*
- (b) *up to 2,000,000 Options to Ms Oonagh Malone;*
- (c) *up to 2,000,000 Options to Mr Shaun Hardcastle; and*
- (d) *up to 500,000 Options to Mr Richard Pearce.*

*(together, the Director Options) on the terms and conditions set out in the Explanatory Memorandum and Schedule 3."*

### Voting Exclusion

In accordance with Listing Rule 14.11, the Company will disregard any votes cast in favour of this Resolution by any Directors who are eligible to participate in the Plan and their respective associates.

However, the Company need not disregard a vote if:

- (a) 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
- (b) it is cast by the Chair 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.

Further, in accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either a member of the Key Management Personnel or a Closely Related Party of such member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

Please note: If the Chair is a person referred to in the section 224 of the Corporations Act voting exclusion statement above, the Chair will only be able to cast a vote as proxy for a person who is entitled to vote if the Chair is appointed as proxy in writing and the Proxy Form specifies how the proxy is to vote on this Resolution.


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## 7. Resolution 7 - Election of Director - Mr Paul Lloyd

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, subject each of the other Acquisition Resolutions being passed, for the purpose of clause 6.2 of the Constitution and for all other purposes, Mr Paul Lloyd, who is eligible and has consented to act, be appointed as a Director of the Company on and from Completion."*

BY ORDER OF THE BOARD



Oonagh Malone  
Non-Executive Director and Company Secretary  
Hawkstone Mining Limited  
Dated: 4 July 2018

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# HAWKSTONE MINING LIMITED

ACN 008 720 223

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## EXPLANATORY MEMORANDUM

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### 1. Introduction

The Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at Suite 23, 513 Hay Street, Subiaco, Western Australia on Friday, 3 August 2018, at 11.00am (WST).

The Explanatory Memorandum forms part of the Notice which should be read in its entirety. The Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted.

The Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 1	Introduction
Section 2	Action to be taken by Shareholders
Section 3	Conditional Acquisition Resolutions
Section 4	Background to the Acquisition of USA Lithium
Section 5	Risks associated with the Acquisition
Section 6	Resolution 1 - Approval to change in scale of activities
Section 7	Resolution 2 - Approval to issue Consideration Shares
Section 8	Resolution 3 - Ratification of Prior Issues
Section 9	Resolution 4 - Approval to issue Capital Raising Shares
Section 10	Resolution 5 - Approval to issue Advisor Securities
Section 11	Resolution 6 - Approval to issue Director Options
Section 12	Resolution 7 - Election of Director - Mr Paul Lloyd
Schedule 1	Definitions
Schedule 2	Pro forma balance sheet
Schedule 3	Terms and conditions of Director Options and Advisor Options

A Proxy Form is located at the end of the Explanatory Memorandum.

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## 2. Action to be taken by Shareholders

Shareholders should read the Notice including the Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

### 2.1 Voting in person

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

### 2.2 Proxies

#### (a) Voting by proxy

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company's share registry in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (i) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (ii) a proxy need not be a member of the Company; and
- (iii) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

#### (b) 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:

- (i) 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);
- (ii) 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;
- (iii) 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
- (iv) 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).



(c) Transfer of non-chair proxy to chair in certain circumstances

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

- (i) 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;
- (ii) the appointed proxy is not the chair of the meeting;
- (iii) at the meeting, a poll is duly demanded on the resolution; and
- (iv) either the proxy is not recorded as attending the meeting or 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.

### 2.3 Voting Prohibition by Proxy Holders (Remuneration of Key Management Personnel)

In accordance with sections 250BD and 250R of the Corporations Act, a vote on Resolution 6 must not be cast (in any capacity) by, or on behalf of:

- (a) a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report the subject of the relevant Resolution; or
- (b) a Closely Related Party of such member.

However, a person described above may cast a vote on Resolution 6 if the vote is not cast on behalf of a person who is excluded from voting on the relevant Resolution and:

- (c) the person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (d) the person is the Chair and the appointment of the Chair as proxy does not specify the way the proxy is to vote on the Resolution, but expressly authorises the Chair to exercise the proxy even if the Resolution is connected with the remuneration of a member of the Key Management Personnel.

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## 3. Conditional Acquisition Resolutions

The Acquisition Resolutions (Resolutions 1 - 7 (inclusive)) are inter-conditional, meaning that each of them will only take effect if all of them are approved by the requisite majority of Shareholders' votes at the Meeting. If any of the Acquisition Resolutions are not approved at the Meeting, none of the Acquisition Resolutions will take effect and the Acquisition Agreement and other matters contemplated by the Acquisition Resolutions will not be completed.

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## 4. Background to the Acquisition of USA Lithium Limited

### 4.1 General background

On 26 June 2018, the Company announced it had entered into a revised acquisition agreement (**Acquisition Agreement**) to acquire USA Lithium Limited (**USA Lithium**) which owns a 100% interest in the Big Sandy Lithium Clay project (**Big Sandy**) located in Arizona, USA and the Lordsburg Lithium Brine project (**Lordsburg**) located in New Mexico, USA (**Acquisition**).

A summary of the material terms of the Acquisition Agreement is set out in Section 4.3 below.

Pursuant to the terms of the Acquisition Agreement, USA Lithium shall become a wholly owned subsidiary of the Company. Section 4.2 details the operations of USA Lithium.

This Notice of Meeting sets out the Resolutions necessary to complete the Acquisition. Each of the Acquisition Resolutions are conditional upon the approval by Shareholders of each of the other Acquisition Resolutions. If any of the Acquisition Resolutions are not approved by Shareholders, all of the Acquisition Resolutions will fail and Completion will not occur.

Incoming director Mr Paul Lloyd is a vendor and a related party to the Company by reason only of the Acquisition. The remaining Vendors are not related parties of the Company.

Assuming Completion of the Acquisition and all the Capital Raising Shares are issued and none of the Company's Options are exercised, existing Shareholders, Vendors and investors under the Capital Raising will each have the following voting power in the Company:

Shareholder	Shares	Voting power (%)
Existing Company Shareholders <sup>1</sup>	276,127,995	39.6
Vendors <sup>2</sup>	262,500,000	37.6
Investors under the Prior Placements and Capital Raising	150,000,000	21.5
Advisor Shares <sup>3</sup>	9,000,000	1.3
<b>TOTAL</b>	<b>697,627,995</b>	<b>100</b>

**Notes:**

1. The Acquisition was originally announced on 22 March 2018 but subsequently terminated on 15 June 2018 before revised terms were agreed on 26 June 2018. As part of the original Acquisition terms, 12,500,000 Shares were issued to nominees of the Vendors as an option fee payment (Option Fee Shares). Further, the Company also issued 25,000,000 Shares to raise \$500,000 between the date of the announcement of the original Acquisition terms and the date of this notice of meeting. These amounts have been excluded from the existing Shares figure in the table. The figure also assumes that none of the existing Shareholders participate in the Capital Raising.
2. Includes the Consideration Shares and 12,500,000 Shares issued to nominees of the Vendors as an option fee payment under the original Acquisition terms.

- Of the Advisor Shares 1,500,000 were issued on 29 June 2018 in respect of the Prior Placements and the remaining 7,500,000 are subject to shareholder approval under Resolution 5(b).

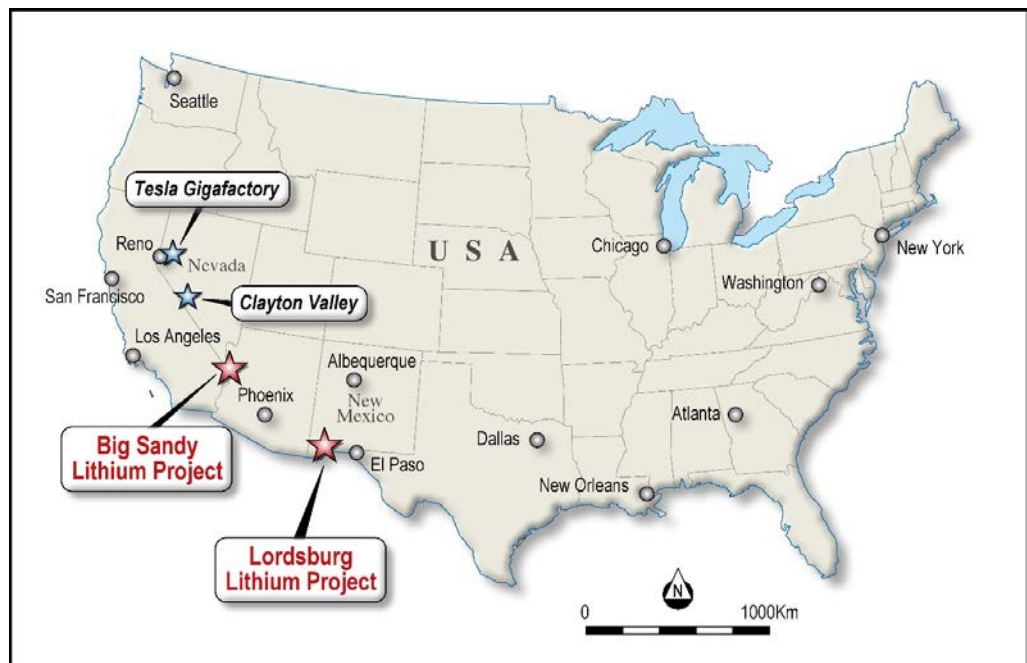
No individual Vendor will hold voting power in the Company of 5% or above post Acquisition.

Other information considered material to the Shareholders' decision on whether to pass the Acquisition Resolutions is set out in this Explanatory Memorandum, and Shareholders are advised to read this information carefully.

## 4.2 Overview of USA Lithium

USA Lithium is an Australian incorporated unlisted public company and is the owner of the Big Sandy and Lordsburg lithium projects.

USA Lithium staked both projects with the Bureau of Land Management subsequently granting claims to USA-incorporated wholly owned subsidiaries of USA Lithium.



**Big Sandy and Lordsburg Lithium Projects**

### (a) Big Sandy Lithium Clay Project

Big Sandy straddles Interstate 193 between Phoenix and Las Vegas and comprises 258 Bureau of Land Management (BLM) claims, covering approximately 20.9km<sup>2</sup>. USA Lithium has recently staked a further 53 BLM claims covering 4.9km<sup>2</sup> surrounding Big Sandy.

Big Sandy is also of strategic relevance to the Tesla Gigafactory, located approximately 960km by sealed interstate highway to the north west. Tesla and their partners are committed to \$4-5 billion of investment in the Gigafactory until 2020.

#### *Regional Geology*

The project lies within the Big Sandy Valley, a broad alluvial region with the Big Sandy River in the centre. The basin margins are marked by the Hualapai Ranges to the west and the Aquarius Ranges to the east. These ranges

comprise granite gneiss and volcanic rocks and form steep and well-defined mountains either side of the large low-lying river valley.

The valley itself comprises a thick sequence of Miocene age lacustrine and alluvial sediments. The Big Sandy Valley is a typical block faulted graben lying between the Hualapai Mountains and the Aquarius Mountains. An extensive Miocene basalt flow covers older rock to the south, southeast, and northeast of the project area but is not present within the project area. Very minor remnants of basalt crop out beneath the Big Sandy valley as flow volcanic rocks seen in the lowermost eastern parts of the wash central to the project area and in the south of the project area.

### *Local Geology*

Big Sandy is characterised largely by flat-lying basin sediments comprising predominantly clays with analcime and potassic alteration zones. The green lacustrine lithium bearing clay horizon is traceable for over 11km north to south and extends at least 2km to the east as a flat sheet at or near surface. Faults underlying the lake may have served as channel ways for lithium-rich solutions to percolate into the lake basin and possibly alter and enrich the existing clays in lithium. Cofer Hot Springs is interpreted to lie on an East North East trending fault zone. Alternatively, the lithium may have been sourced from underlying/bounding acid volcanics and remobilised into the basin sequence. It's likely that both processes operated throughout the geological history of the area leading to the laterally extensive lithium mineralisation.

Lithium clay deposits, such as that found at Big Sandy, are generally large, flat lying, sedimentary deposits that have been enriched by the flow of lithium-rich solutions. Despite having a lower in-situ grade than their hard rock peers, clay style deposits are proving to be a low cost, economically viable source of lithium. Clay based deposits have favourable operating costs as they are characterised by the following:

- (i) traditional, large scale, open-pit mining methods;
- (ii) free-dig material with no drill and blast costs; and
- (iii) simple flow-sheet with little requirement for crushing and grinding.

The Company is excited by the recent sampling results at Big Sandy and looks forward to rapidly advancing the project with the help of its highly experienced board and management team.

### *Big Sandy - 2017 Exploration Results*

Two phases of exploration were completed in 2017, with both providing highly encouraging results that has accelerated contact with the BLM office located in Kingman Arizona and the filing of a Letter of Intent to complete 17 diamond drill holes to an estimated 100m depth across the project area. Approval for this programme is pending.

The focus for this initial work programme was to identify the possible nature and extent of lithium within the clays, and to identify any horizons of elevated lithium that may become a potential resource subject to further exploration. To assist this mapping of the broad lithological units was considered a priority to assist in understanding the geometry and relationship of the various lake sediments.

A summary of the results from sampling programmes undertaken by US Lithium is set out in the Company's announcement dated 26 June 2018.

#### *Extraction and Processing*

USA Lithium is working with Membrane Development Specialists LLC (MDS) to investigate the amenability of Big Sandy's sediments to lithium extraction using new membrane processes. The preliminary findings show that the test materials were amenable to an acid leach, ultrafiltration, nanofiltration and reverse osmosis process to separate the lithium from the test material and remove a large portion of the magnesium and calcium with no rejection of lithium.

Further work with MDS is planned to determine the appropriate processing solution to optimise the extractability of lithium from the clays.

#### (b) **Lordsburg Lithium Brine Project**

Lordsburg comprises 355 BLM claims covering 28.7km<sup>2</sup>. Lordsburg is located in the southwest corner of the state of New Mexico and is easily accessed along the I10 Interstate between Tucson (Arizona) and La Cruces (New Mexico) close to the New Mexico, Arizona border. Rail lines pass to the north of the Claim Block and through the lake system to the south.

The Lordsburg Playa system is approximately 15km to the southwest of the town of Lordsburg and lies at an elevation of 1,200m above mean sea level.

#### *General Geology*

Lordsburg project sits within the playa lake system at the northernmost end of the Animas Valley, southwest New Mexico. The basin is an elongated feature bounded to the west by the Peloncillo mountains and to the east by the Pyramid mountains. The basin comprises clays, silts and sands, similar to the lithological sequence in the Clayton Valley. Further there is anecdotal evidence that highly saline fluids were intersected in a historical stock water well located in the basin.

The playa is within the main depression of the Animas Valley and is coincident with a broad gravity low suggesting a major basin may be present. Surrounded by tertiary volcanic rocks the valley mimics the Clayton Valley setting.

A historic US Geologic Survey map from 1954 shows a windmill that is labelled as a "salt well" in the gravity low that is associated with the playa system. The well head was located, and sampling was attempted, but it is blocked at 100 feet. The existence of the well is interpreted as evidence that the subsurface aquifer beneath the playa is salty (brine) and hence the total lack of water wells or any agricultural development near the playa.

#### *Previous Sampling*

Surface sampling has been completed in the claim block. It demonstrated the presence of highly anomalous Li values. Further details are provided in the Company's announcement to ASX dated 26 June 2018.

(c) **Initial Work Planned**

*Big Sandy Project*

Subject to completion, the Company's plan is re-analyse the historical data, geological mapping and auger drill results to optimise the exploration programme planned by USA Lithium.

Following this initial program, the Company's intention is to move quickly to undertake detailed drilling within the main target area and commence initial metallurgical test-work, with the objective of progressing to resource definition and project scoping study as soon as possible thereafter.

*Lordsburg Lithium Project*

As with the Big Sandy Project the Company will review the exploration and data compiled to date. It will then undertake drill planning leading to drill testing of the lake system for the presence of Lithium bearing brines.

#### 4.3 Key terms of the Acquisition Agreement

- (a) Subject to satisfaction or waiver of conditions precedent (see section 4.3(e)), the Company (Buyer) has agreed with a majority of shareholders in USA Lithium (representing approximately 64%) (**Majority Vendors**) to acquire 100% of the shares of USA Lithium held by the vendors. USA Lithium owns 100% of the shares in US Lithium Pty Ltd (ACN 611 629 728) (**US Lithium**) and New Mexico Lithium Pty Ltd (ACN 621 475 438) (**New Mexico Lithium**).
- (b) US Lithium owns the 258 BLM claims plus a further 49 BLM claims under application comprising the Big Sandy Lithium Project and New Mexico Lithium owns the 355 BLM claims comprising the Lordsburg Lithium Project (together **Projects**).
- (c) Subject to satisfaction or waiver of conditions precedent (see section 4.3(e)), the Buyer will issue a total of 250,000,000 Shares (at a deemed issue price of \$0.02 per share) (**Consideration Shares**) to the Vendors (or their nominees) proportionate to the Vendors' shareholding in USA Lithium, to acquire all the issued capital in USA Lithium as set out below:
- (i) 125,000,000 Shares at Completion (**Initial Consideration Shares**); and
  - (ii) 125,000,000 Shares, subject to:
    - (A) Buyer within 36 months from the Completion date declaring an inferred resource at the Big Sandy Lithium Project of not less than 30Mt at a grade greater than 2,000ppm (or equivalent, subject to a minimum average grade of 1,000ppm lithium) (**Deferred Consideration Shares**); and
    - (B) ASX granting a waiver from Listing Rule 7.3.2 for the issue of the Deferred Consideration Shares, with any amendments to the milestone in section 4.3(c)(ii)(A) required by ASX to be agreed by Buyer and USA Lithium.
- (d) Within 2 business days of the Meeting, the Buyer will transfer \$250,000 to USA Lithium, with such funds to be placed towards the 16-hole drill program at Big Sandy approved by the BLM.

- (e) The Acquisition Agreement contains the following conditions precedent:
- (i) **Capital Raising:** Completion of a capital raising by the Company to raise up to \$2,500,000 (before costs) through a placement of shares at an issue price of \$0.02 per share;
  - (ii) **Shareholder Approvals:** the Company obtaining all necessary shareholder approvals, including approval pursuant to ASX Listing Rule 11.1.2;
  - (iii) **Regulatory Approvals:** the Company obtaining all necessary regulatory approvals, and ASX granting a waiver of Listing Rule 7.3.2 for the issue of the Deferred Consideration Shares;
  - (iv) **Minority Vendors:** minority vendors executing binding sale agreements;
  - (v) **Other:** any such other conditions that are necessary in order for the matters contemplated by the Acquisition Agreement to be properly completed.

#### 4.4 Board and management changes and incentive options

Subject to shareholder approval, Mr Paul Lloyd will be joining the Company as Managing Director. Mr Greg Smith will also join as the Company's Chief Technical Officer. For further information on Messrs Lloyd and Smith see section 4.10.

As part of the transaction and subject to shareholder approval, the Company will issue two separate tranches of 15,000,000 unlisted options each (30,000,000 in total) to incoming director Mr Lloyd (**Director/Executive Options**). A further 30,000,000 unlisted options on the same terms as the Director/Executive Options will be issued to Mr Greg Smith (incoming Chief Technical Officer) (or his nominee). These will be issued pursuant to the Company's employee option plan and do not required prior Shareholder approval.

The Director/Executive Options are to be issued to each of Messrs Lloyd and Smith (or their nominees) on the following terms.

- (a) Tranche 1 - 15,000,000 unlisted options exercisable at \$0.04 per option and expiring 4 years from the date of issue; and
- (b) Tranche 2 - 15,000,000 unlisted options exercisable at \$0.05 per option and expiring 4 years from the date of issue.

Mr Shaun Hardcastle and Ms Oonagh Malone will remain on the board with Richard Pearce resigning at Completion (subject to receipt of shareholder approval for the Acquisition).

Subject to shareholder approval, the Company will also issue two tranches of 2,250,000 unlisted options each, to be split amongst the existing Hawkstone directors (or their nominees) (**Existing Director Options**):

- (a) Tranche 1 - 2,250,000 unlisted options exercisable at \$0.04 per option and expiring 4 years from the date of issue; and
- (b) Tranche 2 - 2,250,000 unlisted options exercisable at \$0.05 per option and expiring 4 years from the date of issue.

## 4.5 Capital raising

In order to fund the original Acquisition due diligence and the Company's immediate working capital requirements, the Company raised \$500,000 from sophisticated investors via the issue of a total of 25,000,000 shares at an issue price of 2 cents per share in two separate placements on 10 April 2018 (**Tranche 1 Placement Shares**) and 29 June 2018 (**Tranche 2 Placement Shares**) (together, the **Prior Placements**). The Company issued these shares under its existing placement capacity in accordance with Listing Rule 7.1.

Subject to shareholder approval and as a condition of the Acquisition, the Company intends to complete a further placement to professional and sophisticated investors of 125,000,000 shares at an issue price of 2 cents per share, to raise up to \$2,500,000 (**Capital Raising**).

Longreach Capital is acting as Lead Manager of the Prior Placements and Capital Raising.

As part of the transaction and subject to shareholder approval, the Company will issue two separate tranches of unlisted options to Longreach Capital (or its nominee) (**Advisor Options**) on the following terms:

- (a) Tranche 1 - 15,000,000 unlisted options at an issue price of \$0.0001 each, exercisable at \$0.04 per option, expiring 4 years from the date of issue, at an issue price of \$0.0001 each; and
- (b) Tranche 2 - 15,000,000 unlisted options at an issue price of \$0.0001 each, exercisable at \$0.05 per option, expiring 4 years from the date of issue, at an issue price of \$0.0001 each.

Longreach Capital will be paid a standard fee of 6% for all funds raised under the Prior Placements and Capital Raising via the issue of Company shares at a deemed issued price of \$0.02 per Share. As a result, the Company will issue 9,000,000 Shares to Longreach Capital (**Advisor Shares**). Of these, 1,500,000 Shares were issued on 29 June 2018 in respect of the Prior Placements and shareholder approval for the remaining 7,500,000 will be sought pursuant to Resolution 5.

## 4.6 Pro forma balance sheet

An unaudited pro forma statement of financial position of the Company as at 31 December 2017 based on the reviewed half year accounts of the Company is set out in Schedule 2.

## 4.7 Effect on capital structure

The pro forma capital structure of the Company following completion of the Acquisition, Prior Placements and Capital Raising is set out below:

Particulars	Currently on Issue	Acquisition Agreement	Prior Placements & Capital Raising	Proforma at Completion
Ordinary Shares	276,127,995	262,500,000	159,000,000 <sup>1</sup>	697,627,995
Options (unquoted)	6,000,000	94,500,000 <sup>2</sup>	-	100,500,000



**Notes:**

1. Total capital raising of \$3,000,000 at \$0.02 per Share. Includes the issue of 9,000,000 Advisor Shares.
2. Director/Executive Options, Existing Director Options and Advisor Options: 47.25M Tranche 1 options with an exercise price of \$0.04 expiring 4 years from the date of issue, plus 47.25M Tranche 2 options with an exercise price of \$0.05 expiring 4 years from the date of issue.

#### 4.8 Proposed budget

The Company intends to use the funds raised under the Prior Placements and Capital Raising, together with the Company's existing cash reserves post-Acquisition as follows:

Allocation of funds <sup>1</sup>	Amount \$	%
Exploration and development costs - Big Sandy	1,000,000	33
Exploration and development costs - Lordsburg	500,000	17
Exploration and development costs - Kangwane	200,000	7
Costs associated with the Acquisition and Capital Raising fees	100,000	3
Administration and working capital	1,200,000	40
<b>Total</b>	<b>\$3,000,000</b>	<b>100</b>

The above table is a statement of current intentions as at the date of this Notice. Shareholders should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of operational and development activities, regulatory developments and market and general economic conditions. In light of this, the Board reserves the right to alter the way the funds are applied.

The use of further equity funding or Share placements will be considered by the Board where it is appropriate to accelerate a specific business objective or project.

#### 4.9 Anticipated timetable for the key business the subject of the Acquisition Resolutions

Event	Indicative Timing
Despatch of this Notice of Meeting to Shareholders	Wednesday, 4 July 2018
Shareholder Meeting ASX notified whether Shareholders' approval has been granted for the Resolutions	Friday, 3 August 2018
Completion of Capital Raising and the Acquisition	Week commencing 6 August 2018

This timetable is a proposed indicative timetable only and the Board reserves the right to vary the dates in accordance with the Listing Rules.

#### 4.10 Composition of Board of Directors and Management team

The Board currently comprises:

- (a) Mr Richard Pearce - Non-executive Director;
- (b) Ms Oonagh Malone - Non-executive Director; and
- (c) Mr Shaun Hardcastle - Non-executive Director.

Subject to Completion of the Acquisition, Mr Richard Pearce will resign and be replaced with USA Lithium nominee Directors. Ms Oonagh Malone and Mr Shaun Hardcastle will remain on the Board as Non-executive Directors following Completion.

The Company will appoint Mr Paul Lloyd as Managing Director at Completion, subject to prior shareholder approval. USA Lithium has the right to appoint a second director. As at the date of this Notice, the second nominee is yet to be agreed.

In addition, Mr Greg Smith will join the Company as its Chief Technical Officer.

Set out below is background information in relation to the skills and experience of Messrs Lloyd and Smith.

##### (a) Mr Paul Lloyd

Paul Lloyd is a Chartered Accountant with over 30 years commercial experience. Mr Lloyd operates his own corporate consulting business, specialising in the area of corporate, financial and management advisory services. After commencing his career with an international accounting firm, he was employed for approximately 10 years as the General Manager of Finance for a Western Australian based international drilling contractor working extensively in Asia and Africa. Paul has been responsible for a number of IPO's, RTO's, project acquisitions and capital raisings for ASX listed public companies.

Pursuant to the Acquisition Agreement, Mr Lloyd will enter into a services agreement with the Company which provides for a base salary of \$200,000 per annum.

##### (b) Mr Greg Smith

Mr Smith holds a Bachelor of Science degree in Geology from Dalhousie University, Nova Scotia, Canada.

Mr Smith commenced his career in 1975 and has worked over a wide cross section of minerals and countries including in Canada, Australia and Africa. Greg was the exploration manager for Moto Gold Mines Ltd, responsible for the discovery of 22.5 million ounces of gold in the Democratic Republic of Congo. He has also held the position of Managing Director of ASX listed Elemental Minerals Limited and Lindian Resources Limited. Greg has a proven track record of identifying substantial company making mineral projects and developing those projects, resulting in major value creation for shareholders.

Pursuant to the Acquisition Agreement, Mr Smith will enter into an employment or consultancy agreement with the Company which provides for a base salary of \$180,000 per annum. Mr Smith will also receive 15 million tranche 1 and 15 million tranche 2 unquoted options on the same terms as those being issued to Mr Lloyd.

#### **4.11 Advantages of the proposals in the Acquisition Resolutions**

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's determination on how to vote on the Acquisition Resolutions:

- (a) Shareholders will be further exposed to the resource industry, with a direct interest in lithium exploration assets;
- (b) the risk profile of the Company will be diversified (as the Company's existing asset is located in one jurisdiction, South Africa, and it's existing focus is on anthracite exploration and development);
- (c) the Company will receive a cash injection via the Prior Placements and Capital Raising;
- (d) Messrs Lloyd and Smith of USA Lithium bring additional experience and knowledge to the Board and management of the Company;
- (e) the Company's ability to raise additional funds may increase; and
- (f) USA Lithium is being acquired for no significant initial cash outlay by the Company, with 50% of consideration linked to the announcement of a 30Mt resource at Big Sandy.

#### **4.12 Disadvantages of the proposals in the Acquisition Resolutions**

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's determination on how to vote on the Acquisition Resolutions:

- (a) dilution of existing Shareholders' interests;
- (b) the Vendors (approximately 41 in total) will gain a significant level of control of the Company; and
- (c) the change of operations as a resolution of the Acquisition may not suit the risk profile of Shareholders.

#### **4.13 Taxation**

The Acquisition may give rise to income tax implications for the Company and Shareholders.

Existing Shareholders are advised to seek their own taxation advice on the effect of the Resolutions on their personal taxation position and neither the Company, nor any existing Director or advisor to the Company accepts any responsibility for any individual Shareholder's taxation consequences on any aspect of the Acquisition or the Resolutions.

#### **4.14 Plans for the Company if the Acquisition Resolutions are not passed or if the Acquisition does not proceed**

If the Acquisition Resolutions are not passed or if the Acquisition is otherwise not completed, the Company will continue exploration at the Kangwane South anthracite project in South Africa and will continue to seek and review complementary resource acquisitions across all industries to diversify the Company's existing risk profile.

#### **4.15 Directors' interests in the Acquisition Agreement**

None of the Company's existing Directors have any interest in the Acquisition pursuant to the Acquisition Agreement, other than those disclosed elsewhere in this Notice.

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## **5. Risks associated with the Acquisition**

This Section identifies the major areas of risk associated with the Acquisition, but should not be taken as an exhaustive list of the risk factors to which the Company and its Security holders are exposed. References to the Company in this Section 5 include USA Lithium post Completion.

### **5.1 Risks relating to the change in nature and/or scale of activities**

#### **(a) Dilution risk**

Prior to the Acquisition being originally announced in March 2018 the Company had 276,127,995 Shares and 6,000,000 Options on issue.

On issue of the Consideration Shares and the subscription of Shares under the Prior Placements and Capital Raising (assuming maximum subscription under the Capital Raising and no convertible Securities are exercised or converted), the existing pre-Acquisition Shareholders will retain approximately 39.6% of the issued capital of the Company, the Vendors (or their nominees) will hold 37.6%, and the investors under the Prior Placements and Capital Raising will hold 21.5% of the issued capital of the Company.

There is also a risk that the interests of Shareholders will be further diluted as a result of future capital raisings required in order to fund the future development of the Company.

#### **(b) Contractual and Completion risk**

Pursuant to the Acquisition Agreement, the Company has agreed to acquire USA Lithium subject to the fulfilment of certain conditions precedent. If any of the conditions precedent are not satisfied or waived, or any of the counterparties do not comply with their obligations, completion of the Acquisition may be deferred or not occur.

The ability of the Company to achieve its stated objectives will depend on the performance by the parties of their obligations under the Acquisition Agreement. If any party defaults in the performance of their obligations, it may be necessary for the Company to approach a court to seek a legal remedy, which can be costly.

(c) **Integration risk of the Acquisition**

The operating results of the Company will depend on the success of management in integrating the acquisition of USA Lithium. There is no guarantee that the Company will be able to integrate this new acquisition into the Company successfully, or that any economic benefits will be able to be realised from the integration. There is a risk that the Company's future profitability and prospects could be adversely impacted if successful integration is not achieved in an orderly and timely fashion.

**5.2 Specific risks to the Company's operations and the mining industry**

There are a number of specific risks involved for the Company, and consequently its security holders, in the acquisition of USA Lithium, including risks specific to the business and assets of USA Lithium, which include the following non-exhaustive list.

(a) **Future capital requirements**

The Company has no operating revenue and is unlikely to generate any operating revenue unless and until the Big Sandy and Lordsburg projects or its existing Kangwane South anthracite project are successfully developed and production commences. The future capital requirements of the Company will depend on many factors including its business development activities. The Company believes its available cash and the net proceeds of the Capital Raising should be adequate to fund its business development activities, exploration program and other Company objectives in the short term as stated in this Notice.

In order to successfully develop its projects and for production to commence, the Company will require further financing in the future, in addition to amounts raised pursuant to the Capital Raising. Any additional equity financing may be dilutive to Shareholders, may be undertaken at lower prices than the then market price (or offer price under the Capital Raising) or may involve restrictive covenants which limit the Company's operations and business strategy. Debt financing, if available, may involve restrictions on financing and operating activities.

Although the Directors believe that additional capital can be obtained, no assurances can be made that appropriate capital or funding, if and when needed, will be available on terms favourable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its activities and this could have a material adverse effect on the Company's activities including resulting in the tenements being subject to forfeiture, and could affect the Company's ability to continue as a going concern.

The Company may undertake additional offerings of Shares and of securities convertible into Shares in the future. The increase in the number of Shares issued and outstanding and the possibility of sales of such shares may have a depressive effect on the price of Shares. In addition, as a result of such additional Shares, the voting power of the Company's existing Shareholders will be diluted.

(b) **Operational risks**

The operations of the Company may be affected by various factors, including:

- (i) failure to locate or identify mineral deposits;
- (ii) failure to achieve predicted grades in exploration and mining;
- (iii) operational and technical difficulties encountered in mining;
- (iv) insufficient or unreliable infrastructure, such as power, water and transport;
- (v) difficulties in commissioning and operating plant and equipment;
- (vi) mechanical failure or plant breakdown;
- (vii) unanticipated metallurgical problems which may affect extraction costs; and
- (viii) adverse weather conditions.

In the event that any of these potential risks eventuate, the Company's operational and financial performance may be adversely affected.

**(c) Exploration success**

Mineral exploration and project development are high risk undertakings. There can be no assurance that further exploration on the Company's (including USA Lithium's) projects will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited. Until the Company is able to realise value from its mineral projects, it is likely to incur ongoing operating losses.

**(d) Drilling and exploration programs**

There are operational risks associated with the Company's planned drilling and exploration programs. The planned surface sampling, drilling and exploration programs at the Company's mineral projects may be affected by a range of factors, including (but not limited to): geological and ground access conditions; unanticipated operational and technical difficulties encountered in sampling and drilling activities; adverse weather conditions, environmental accidents, and unexpected shortages or increases in the costs of consumables, spare parts, and labour; mechanical failure of operating plant and equipment; prevention of access by reason of political or civil unrest, outbreak of hostilities, outbreak of disease or inability to obtain regulatory consents or approvals; terms imposed by government on development of mining projects including conditions such as equity participation, royalty rates and taxes; and risks of default or non-performance by third parties providing essential services. No assurance can be given that planned and future exploration will be successful or that a commercial mining operation will eventuate at any of the Company's mineral projects.

**(e) Environmental**

The operations and proposed activities of the Company are subject to laws and regulations concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is the Company's intention to conduct its

activities to the highest standard of environmental obligation, including compliance with all environmental laws.

Significant liabilities could be imposed on the Company 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.

**(f) Tenure, access and grant of applications**

Mining and exploration tenements are subject to periodic renewal. There is no guarantee that current or future tenements and/or applications for tenements will be approved.

With respect to the Big Sandy and Lordsburg projects, the Company considers the likelihood of tenure forfeiture to be low given the regulations governing exploration in the USA and the ongoing expenditure budgeted for by the Company in accordance with those regulations. However, the consequence of forfeiture or involuntary surrender of granted tenements for reasons beyond the control of the Company could be significant.

**(g) Metallurgy**

Metal and/or mineral recoveries are dependent upon the metallurgical process, and by its nature contain elements of significant risk such as:

- (i) identifying a metallurgical process through test work to produce a saleable metal and/or concentrate;
- (ii) developing an economic process route to produce a metal and/or concentrate; and
- (iii) changes in mineralogy in the ore deposit can result in inconsistent metal recovery, affecting the economic viability of the project.

### **5.3 Market risks**

**(a) Regulatory risks**

The Company will incur ongoing costs and obligations associated with compliance with necessary regulations. Regulatory areas which are of particular significance to the Company include environmental compliance and rehabilitation, mining, taxation, employee relations, worker health and safety, waste disposal, protection of the environment, native title and heritage matters, protection of endangered and protected species and other matters. The Company requires permits from regulatory authorities to authorise the Company's operations. These permits relate to exploration, development, production and rehabilitation activities. Any failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions on the Company's proposed business operations. In addition, changes in regulations could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

## 5.4 General risks

### (a) Economic

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's business activities and potential research and development programmes, as well as on their ability to fund those activities.

### (b) Force majeure

The Company's projects now or in the future may be adversely affected by risks outside the control of the Company, including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

### (c) Insurance risks

The Company intends to insure its operations and those of USA Lithium (as required) in accordance with industry practice. However, in certain circumstances, such insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company effected.

### (d) Litigation risks

The Company is exposed to possible litigation risks. Further, the Company or USA Lithium may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's operations, financial performance and financial position. Neither the Company nor USA Lithium are currently engaged in any litigation.

### (e) Market conditions

Share market conditions may affect the value of the Company's quoted Securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and technology stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return to security holders arising from the transactions the subject of this Notice or otherwise.



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## **6. Resolution 1 - Approval to change in scale of activities**

### **6.1 General**

Resolution 1 seeks the approval of Shareholders for a change in the scale of the Company's activities via the Acquisition.

A detailed description of the Acquisition is outlined in Section 4.1 above.

Resolution 1 is an Acquisition Resolution and is subject to Shareholders passing each of the Acquisition Resolutions and Completion occurring.

Resolution 1 is an ordinary Resolution.

### **6.2 Listing Rule 11.1**

Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature and/or scale of its activities, it must provide full details to ASX as soon as practicable and comply with the following:

- (a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, obtain the approval of holders of its shares and any requirements of ASX in relation to the notice of meeting; and
- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the Listing Rules as if the company were applying for admission to the official list of ASX.

ASX has advised that it requires the Company to obtain the approval of its Shareholders for the proposed change of activities pursuant to Listing Rule 11.1.2 but will not require re-compliance with the admission requirements of Chapters 1 and 2 of the Listing Rules.

For this reason, the Company is seeking Shareholder approval for the Company to change the nature and scale of its activities under Listing Rule 11.1.2.

Details of the assets to be acquired by the Company and the proposed changes to the structure and operations of the Company are provided throughout this Explanatory Memorandum.

### **6.3 Board recommendation**

The Board recommends that Shareholders vote in favour of Resolution 1.

The Chair intends to exercise all available proxies in favour of Resolution 1.

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## **7. Resolution 2 - Approval to issue Consideration Shares**

### **7.1 General**

Resolution 2 seeks Shareholder approval under Listing Rule 7.1 for the issue to the Vendors (or their respective nominees) of 250,000,000 Consideration Shares as consideration for the acquisition of the Vendors' interests in USA Lithium.

The Consideration Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.

Resolution 2 is an Acquisition Resolution and is subject to Shareholders passing each of the Acquisition Resolutions and Completion occurring.

Resolution 2 is an ordinary Resolution.

Refer to Section 4.1 for further details regarding the background to Resolution 2.

## 7.2 Application of Listing Rule 7.1

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period without shareholder approval.

## 7.3 Technical information required by Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the issue of the Consideration Shares:

- (a) the maximum number of Consideration Shares to be issued to the Vendors is 250,000,000, split into two tranches as follows:
  - (i) 125,000,000 Shares at Completion (**Initial Consideration Shares**); and
  - (ii) 125,000,000 Shares, subject to the Company within 36 months from the Completion date declaring an inferred resource at the Big Sandy Lithium Project of not less than 30Mt at a grade greater than 2,000ppm (or equivalent, subject to a minimum average grade of 1,000ppm lithium) (**Deferred Consideration Shares**);
- (b) the Initial Consideration Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue of the Initial Consideration Shares will occur on the same date;
- (c) the Company has applied for a waiver of ASX Listing Rule 7.3.2 to permit the issue of the Deferred Consideration Shares up to 36 months from the Completion date and subject to the Company meeting the milestone set out in section 7.3(a)(ii). The Company will separately advise the market the outcome of the waiver application. If the waiver is not granted and the Deferred Consideration Shares are not issued within 3 months of the date of the Meeting, the Company may need to seek further shareholder approval at an appropriate time for the issue of the Deferred Consideration Shares;
- (d) the Consideration Shares will be issued for nil cash consideration in satisfaction of the acquisition of all USA Lithium Shares;
- (e) the Consideration Shares will be issued to the Vendors (or their respective nominees). All of the Vendors are unrelated parties other than entities associated with proposed incoming director Mr Paul Lloyd, who is each a related party of the Company by reason only of the Acquisition;

- (f) the Consideration Shares to be issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (g) no funds will be raised from the proposed issue as the Consideration Shares; and
- (h) a voting exclusion statement is included in the Notice.

#### 7.4 Board recommendation

The Board recommends that Shareholders vote in favour of Resolution 2.

The Chair intends to exercise all available proxies in favour of Resolution 2.

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## 8. Resolution 3 - Ratification of prior issues

### 8.1 Background

On 10 April 2018, the Company issued:

- (a) 12,500,000 Shares (**Tranche 1 Placement Shares**) at an issue price of \$0.02 each to sophisticated and professional investors (**Tranche 1 Placement Participants**); and
- (b) 12,500,000 Shares as consideration for an option fee pursuant to the original Acquisition terms as announced to ASX on 22 March 2018 (**Option Fee Shares**).

On 29 June 2018, the Company issued:

- (c) 12,500,000 Shares (**Tranche 2 Placement Shares**) at an issue price of \$0.02 each to sophisticated and professional investors (**Tranche 2 Placement Participants**); and
- (d) 1,500,000 Advisor Shares to Longreach Capital (and its nominees) as part consideration for lead manager services with respect to the Prior Placements.

Resolutions 3(a) and 3(b) seek the ratification of Shareholders pursuant to Listing Rule 7.4 for the issue of the Prior Placements Shares. Resolution 3(c) seeks the ratification of Shareholders pursuant to Listing Rule 7.4 for the issue of the Option Fee Shares and Resolution 3(d) seeks the ratification of Shareholders pursuant to Listing Rule 7.4 for the issue of 1,500,000 Advisor Shares.

The Board recommends that Shareholders vote in favour of Resolutions 3(a), 3(b), 3(c) and 3(d).

Resolutions 3(a), 3(b), 3(c) and 3(d) are each an ordinary resolution.

The Chair intends to exercise all available proxies in favour of each of the resolutions which form part of Resolution 3.

### 8.2 Listing Rules 7.1 and 7.1A

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12 month period than that

amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.1A provides that an eligible entity may seek shareholder approval at its annual general meeting to allow it to issue Equity Securities comprising up to 10% of its issued capital. The Company obtained this approval at its annual general meeting held on 30 November 2017.

### **8.3 Listing Rule 7.4**

Listing Rule 7.4 provides an exception to Listing Rules 7.1 and 7.1A. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to Listing Rules 7.1 and 7.1A (and provided that the previous issue did not breach Listing Rules 7.1 and 7.1A), those securities will be deemed to have been made with shareholder approval for the purpose of Listing Rules 7.1 and 7.1A, as applicable.

The effect of Resolution 3 will be to allow the Company to retain the flexibility to issue Equity Securities in the future up to the 15% annual placement capacity set out in Listing Rule 7.1 and the additional 10% annual placement capacity set out in Listing Rule 7.1A without the requirement to obtain prior Shareholder approval.

### **8.4 Specific information required by Listing Rule 7.5**

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to the ratification of the issue of the Prior Placements Shares and Option Fee Shares:

- (a) a total of:
  - (i) 25,000,000 Prior Placements Shares were issued on 10 April 2018 and 29 June 2018;
  - (ii) 12,500,000 Option Fee Shares were issued on 10 April 2018; and
  - (iii) 1,500,000 Advisor Shares were issued on 29 June 2018,within the 15% annual limit permitted under Listing Rule 7.1, without the need for Shareholder approval;
- (b) the Prior Placements Shares were issued at \$0.02 per Share;
- (c) the Option Fee Shares and Advisor Shares were issued at a deemed issue price of \$0.02 per Share;
- (d) the Prior Placements Shares, Option Fee Shares and Advisor Shares were fully paid ordinary shares in the capital of the Company and rank equally in all respects with the Company's existing Shares on issue;
- (e) the Prior Placements Shares were issued to the Tranche 1 and Tranche 2 Placement Participants, none of whom is a related party of the Company;
- (f) the Option Fee Shares were issued to parties who assisted with facilitating the transaction;
- (g) the Advisor Shares were issued to Longreach Capital (the lead manager for the Prior Placements and Capital Raising) and its nominees, none of whom is a related party of the Company;

- (h) the proceeds from the issue of the Prior Placements Shares will be directed towards the Acquisition due diligence and the Company's immediate working capital requirements;
- (i) no funds were raised from the issue of the Option Fee Shares or the Advisor Shares; and
- (j) a voting exclusion statement is included in the Notice.

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## **9. Resolution 4 - Approval to issue Capital Raising Shares**

### **9.1 General**

Resolution 4 seeks Shareholder approval for the issue of up to 125,000,000 Capital Raising Shares at an issue price of \$0.02 each to raise up to \$2,500,000 (before costs) under the Capital Raising.

Resolution 4 is an Acquisition Resolution and is subject to Shareholders passing each of the Acquisition Resolutions and Completion occurring.

Resolution 4 is an ordinary Resolution.

### **9.2 Listing Rule 7.1**

A summary of Listing Rule 7.1 is contained in Section 7.2 above.

The effect of Resolution 4 will be to allow the Company to issue the Capital Raising Shares during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% placement capacity.

### **9.3 Technical information required by Listing Rule 7.3**

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the Capital Raising:

- (a) the maximum number of Shares to be issued as Capital Raising Shares is 125,000,000;
- (b) the Capital Raising Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);
- (c) the issue price of the Capital Raising Shares will be \$0.02 per Share;
- (d) the Capital Raising Shares are proposed to be issued by way of a placement to sophisticated and professional investors none of whom will be related parties to the Company;
- (e) the Capital Raising Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (f) the Company's intended use of the funds raised from the issue of the Capital Raising Shares is set out in Section 4.8 above;
- (g) it is intended that the Capital Raising Shares will be issued on the same date, being the date of Completion; and

(h) a voting exclusion statement is included in the Notice.

#### 9.4 Board recommendation

The Board recommends that Shareholders vote in favour of Resolution 4.

The Chair intends to exercise all available proxies in favour of Resolution 4.

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## 10. Resolution 5 - Approval to issue Advisor Securities

### 10.1 General

Resolution 5 seeks Shareholder approval for the issue of up to 30,000,000 Advisor Options and 7,500,000 Advisor Shares to Longreach Capital (or its nominees) on Completion as part consideration for services provided to the Company by Longreach Capital in connection with the Prior Placements, Capital Raising and Acquisition.

A summary of Listing Rule 7.1 is set out in Section 7.2 above.

The effect of Resolution 5 will be to allow the Company to issue the Advisor Securities during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

Resolution 5 is an Acquisition Resolution and is subject to Shareholders passing each of the Acquisition Resolutions.

Resolution 5 is an ordinary Resolution.

### 10.2 Technical information required by Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the issue of the Advisor Securities the subject of Resolution 5:

- (a) the maximum number of Advisor Options to be issued is 30,000,000 and the maximum number of Advisor Shares to be issued is 7,500,000;
- (b) the Advisor Securities will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue of all of the Advisor Securities will occur on the same date;
- (c) the Advisor Shares will be issued for nil cash consideration as part consideration for services provided to the Company by Longreach Capital in connection with the Capital Raising and Acquisition;
- (d) the Advisor Options will be issued for nominal cash consideration of \$0.0001 per Advisor Option;
- (e) the Advisor Securities will be issued to Longreach Capital (or its nominees), who are not related parties of the Company;
- (f) the Advisor Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (g) the terms and conditions of the Advisor Options are set out in Schedule 3;

- (h) no funds will be raised from the proposed issue of the Advisor Securities; and
- (i) a voting exclusion statement is included in the Notice.

### 10.3 Board recommendation

The Board recommends that Shareholders vote in favour of Resolution 5.

The Chair intends to exercise all available proxies in favour of Resolution 5.

## 11. Resolution 6 - Approval of issue of Director Options

### 11.1 General

The Company is proposing to issue a total of 34,500,000 Director Options under the Plan in the amounts and to the existing and proposed Directors (or their nominees) as follows:

Director	Director Options	
Paul Lloyd	15,000,000	15,000,000
Oonagh Malone	1,000,000	1,000,000
Shaun Hardcastle	1,000,000	1,000,000
Richard Pearce	250,000	250,000
<b>TOTAL</b>	<b>17,250,000</b>	<b>17,250,000</b>

The Company is in an important stage of development with significant opportunities and challenges in both the near and long-term, and the proposed issue seeks to align the efforts of the Directors in seeking to achieve growth of the Share price and in the creation of Shareholder value. In addition, the Board also believes that incentivising with Director Options is a prudent means of conserving the Company's available cash reserves. The Board believes it is important to offer these Director Options to continue to attract and maintain highly experienced and qualified Board members in a competitive market.

Resolution 6 seeks Shareholder approval for the issue of the Director Options under the Plan to the Directors (or their nominees). Shareholder approval is required under Listing Rule 10.14 where an entity issues, or agrees to issue, securities to a director (or associate of a director) under an employee incentive scheme.

As Shareholder approval is sought under Listing Rule 10.14, approval under Listing Rules 7.1 or 10.11 is not required.

### 11.2 Chapter 2E of the Corporations Act

In accordance with Chapter 2E of the Corporations Act, in order to give a financial benefit to a related party, the Company must:

- (a) obtain Shareholder approval in the manner set out in section 217 to 227 of the Corporations Act; and

(b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The grant of the Director Options constitutes giving a financial benefit and Mr Lloyd, Ms Malone, Mr Hardcastle and Mr Pearce are related parties of the Company by virtue of being Directors.

The Directors consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Director Options to Mr Lloyd because the proposed grant of the Director Options was negotiated as part of the Acquisition Agreement on arm's length terms.

The Directors (other than Director Ms Oonagh Malone who has a material personal interest in Resolution 6(b)) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Director Options to Ms Malone because the grant of the Director Options is considered reasonable remuneration given the Company's circumstances.

The Directors (other than Director Mr Shaun Hardcastle who has a material personal interest in Resolution 6(c)) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Director Options to Mr Hardcastle because the grant of the Director Options is considered reasonable remuneration given the Company's circumstances.

The Directors (other than Director Mr Richard Pearce who has a material personal interest in Resolution 6(d)) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Director Options to Mr Pearce because the grant of the Director Options is considered reasonable remuneration given the Company's circumstances.

### **11.3 Specific information required by Listing Rule 10.15**

Pursuant to and in accordance with the requirements of Listing Rule 10.15, the following information is provided in relation to the proposed issue of the Director Options to the Directors:

- (a) the Directors or proposed Directors are Paul Lloyd, Oonagh Malone, Shaun Hardcastle and Richard Pearce;
- (b) the maximum number of Director Options to be issued to the Directors (or their nominees) is 34,500,000 as set out in Section 11.1 above;
- (c) the Director Options are being issued to the Directors under the Plan for nil cash consideration and otherwise on the terms and conditions set out in Schedule 3;
- (d) Ms Oonagh Malone, Mr Shaun Hardcastle and Mr Richard Pearce each received 2,000,000 Options for nil cash consideration since the Plan was approved by Shareholders at the annual general meeting of the Company held on 30 November 2017;
- (e) all Directors are entitled to participate in the Plan;
- (f) no loans will be made in relation to, and no funds will be raised from, the issue or exercise of the Director Options;



- (g) the Director Options will be issued to the Directors no later than 12 months after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated the Director Options will be issued on one date; and
- (h) a voting exclusion statement is included in the Notice.

#### **11.4 Additional information**

Each of the Resolutions which form part of this Resolution 6 is a separate ordinary resolution.

The Chair intends to exercise all available proxies in favour of Resolutions 6(a) to 6(d).

The resolutions comprising Resolution 6 are each an Acquisition Resolution and subject to Shareholders passing each of the Acquisition Resolutions and Completion occurring.

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## **12. Resolution 7 - Election of Director - Mr Paul Lloyd**

### **12.1 General**

Clause 6.2(c) of the Company's Constitution allows the Company to elect a person or persons as a Director by resolution passed in general meeting.

Clause 6.2(g) of the Company's Constitution provides that a person other than a Director retiring by rotation is not eligible for election as a Director at a general meeting unless the person, or some Shareholder intending to propose his or her nomination has, at least 30 business days before the meeting left at the registered office of the Company a notice in writing duly signed by the nominee giving his or her consent to the nomination and signifying his or her candidature for the office or the intention of the Shareholder to propose the person.

Notice of every candidature for election as a Director shall be given to each Shareholder as part of the notice of meeting at which the election is to take place.

Pursuant to the Acquisition Agreement, at Completion it is proposed that Mr Lloyd be appointed as Managing Director.

Resolution 7 seeks approval for the election of Mr Lloyd as a Director on and from Completion if each of the other Acquisition Resolutions are approved by Shareholders. He will be appointed as Managing Director.

Please refer Section 4.10 for information on the qualifications, skills and experience of Mr Lloyd.

Resolution 7 is an Acquisition Resolution and subject to Shareholders passing each of the Acquisition Resolutions and Completion occurring.

Resolution 7 is an ordinary resolution.

### **12.2 Board recommendation**

The Board recommends that Shareholders vote in favour of Resolution 7.

The Chair intends to exercise all available proxies in favour of Resolution 7.

## Schedule 1 - Definitions

In the Notice, words importing the singular include the plural and vice versa.

**\$** means Australian Dollars.

**2012 JORC Code** means the 2012 Edition of the Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves.

**Acquisition** means the acquisition by the Company of USA Lithium in accordance with the Acquisition Agreement.

**Acquisition Agreement** means the agreement described in Section 4.3.

**Acquisition Resolutions** means Resolutions 1 to 7 (inclusive).

**Advisor Options** means the 30,000,000 Options proposed to be issued to Longreach Capital (or its nominees) and which are the subject of Resolution 5(a).

**Advisor Securities** means the Advisor Shares and Advisor Options.

**Advisor Shares** means up to 9,000,000 Shares to be issued to Longreach Capital (or its nominees) and which are the subject of Resolutions 3(d) and 5(b).

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means the ASX Limited ABN 98 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.

**Big Sandy** means the 258 claims comprising the Big Sandy Lithium Clay project.

**Board** means the board of Directors of the Company.

**Business Day** means a day that is not a Saturday, Sunday or public holiday in Western Australia.

**Buyer** means the Company.

**Capital Raising** means the offer of up to 125,000,000 Shares with an issue price of \$0.02 per share to raise up to a total of \$2,500,000 as detailed in Section 4.4.

**Capital Raising Shares** means the Shares proposed to be issued under the Capital Raising.

**Chair** means the person appointed to chair the Meeting of the Company convened by the Notice.

**Closely Related Party** means:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

**Company** means Hawkstone Mining Limited ACN 008 720 223.

**Completion** means completion of the Acquisition in accordance with the Acquisition Agreement.

**Consideration Shares** means the 250,000,000 Shares proposed to be issued to the Vendors (or their nominees) as consideration for the Acquisition and which are the subject of Resolution 2.

**Constitution** means the constitution of the Company as at the date of the Meeting.

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

**Deferred Consideration Shares** has the meaning ascribed in section 4.3(c)(ii)(A).

**Director** means a director of the Company.

**Director/Executive Options** means the Options to be issued to the proposed Directors and Executive and have the terms and conditions set out in Schedule 3.

**Director Options** means the 34,500,000 Options to be issued to current and proposed Directors the subject of Resolution 6 and have the terms and conditions set out in Schedule 3.

**Equity Security** has the same meaning as in the Listing Rules and **Equity Securities** has the corresponding meaning.

**Executive** means Mr Greg Smith.

**Existing Director Options** means the 4,500,000 Options to be issued to the current Directors and have the terms and conditions set out in Schedule 3.

**Explanatory Memorandum** means the explanatory memorandum which forms part of the Notice.

**Financial Report** means the annual financial report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.

**Initial Consideration Shares** has the meaning ascribed in section 4.3(c)(i).

**Lead Manager** means Longreach Capital.

**Listing Rules** means the listing rules of ASX.

**Longreach Capital** means Longreach Capital Pty Ltd ACN 618 027 651.

**Lordsburg** means the 355 BLM claims comprising the Lordsburg Lithium Brine project.

**Key Management Personnel** has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any Director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

**Majority Vendors** means approximately 64% of the USA Lithium shareholders, being those that are party to the Acquisition Agreement.

**Meeting** has the meaning given in the introductory paragraph of the Notice.

**New Mexico Lithium** means New Mexico Lithium Pty Ltd (ACN 621 475 438).

**Notice** means this notice of general meeting.

**Option** means an option to acquire a Share.

**Option Fee Shares** has the meaning ascribed in section 8.1(b).

**Optionholder** means the holder of an Option.

**Plan** means the Hawkstone Mining Limited Employee Securities Incentive Plan.

**Prior Placements** means the issue of 25,000,000 Shares in the Company to raise \$500,000, ratification for which is sought by Resolutions 3(a) and 3(b).

**Prior Placements Shares** means the Shares issued pursuant to the Prior Placements.

**Projects** means the Big Sandy and Lordsburg projects together.

**Proxy Form** means the proxy form attached to the Notice.

**Relevant Interest** has the meaning given in section 608 of the Corporations Act.

**Remuneration Report** means the remuneration report of the Company contained in the Directors' Report.

**Resolution** means a resolution referred to in the Notice.

**Schedule** means a schedule to the Notice.

**Section** means a section of the Explanatory Memorandum.

**Securities** means all Equity Securities of the Company, including Shares and Options.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of a Share.

**US Lithium** means US Lithium Pty Ltd (ACN 611 629 728).

**USA Lithium** means USA Lithium Limited.

**USA Lithium Share** means a fully paid ordinary share in the capital of USA Lithium.

**Vendors** means all the shareholders of USA Lithium.

**WST** means Western Standard Time, being the time in Perth, Western Australia.

## Schedule 2 - Pro forma Balance Sheet

	NOTES	Reviewed 31/12/2017	Acquisition USA Lithium	of Other adjustments	PRO FORMA
		\$	\$	\$	\$
<b>Current Assets</b>					
Cash and cash equivalents	2	262,967	(250,000)	2,964,619	2,977,586
Trade and other receivables		28,843	-	-	28,843
<b>Total Current Assets</b>		<b>291,810</b>	<b>(250,000)</b>	<b>2,964,619</b>	<b>3,006,429</b>
<b>Non Current Assets</b>					
Non current financial assets		578,137	-	-	578,137
Deferred exploration, evaluation and development expenditure	3	536,480	-	-	536,480
<b>Total Non Current Assets</b>		<b>1,114,617</b>	<b>-</b>	<b>-</b>	<b>1,114,617</b>
<b>TOTAL ASSETS</b>		<b>1,406,427</b>	<b>(250,000)</b>	<b>2,964,619</b>	<b>4,121,046</b>
<b>Current Liabilities</b>					
Trade and other payables		11,520	-	-	11,520
<b>Total Current Liabilities</b>		<b>11,520</b>	<b>-</b>	<b>-</b>	<b>11,520</b>
<b>TOTAL LIABILITIES</b>		<b>11,520</b>	<b>-</b>	<b>-</b>	<b>11,520</b>
<b>NET ASSETS (LIABILITIES)</b>		<b>1,394,907</b>	<b>(250,000)</b>	<b>2,964,619</b>	<b>4,109,526</b>
<b>Equity</b>					
Issued capital	4	57,933,709	2,750,000	2,961,619	63,645,328
Reserves	5	1,861,483	-	2,273,670	4,135,153
Accumulated losses	6	(58,400,285)	(3,000,000)	(2,270,670)	(63,670,955)
<b>TOTAL EQUITY</b>		<b>1,394,907</b>	<b>(250,000)</b>	<b>2,964,619</b>	<b>4,109,526</b>

### Notes:

1. The pro forma balance sheet is based on audit reviewed financial statements of the Group as at 31 December 2017. Adjustments are made to this to reflect the proposed acquisition of USA Lithium, other transactions proposed in this notice of meeting and the intended issue of 30,000,000 employee options.
2. This is based on:
  - (a) Payment of \$250,000 to USA Lithium for the current drilling program, to be paid after the Meeting.
  - (b) Previous receipt of \$500,000 for the 12,500,000 shares issued at \$0.02 per share on 10 April 2018 and 12,500,000 shares issued at \$0.02 per share on 29 June 2018 to fund working capital.
  - (c) Issue of 125,000,000 shares at \$0.02 per share to raise \$2,500,000.
  - (d) Payment of \$20,381 to ASX for listing of newly issued shares.
  - (e) Receipt of \$3,000 for the 30,000,000 Advisor Options to be issued at \$0.0001 per Advisor option.
  - (f) Payment of \$18,000 in GST on Advisor Shares.
3. The effective initial purchase consideration for the exploration interests proposed to be acquired is \$3,000,000. This is calculated by adding together the: \$250,000 value of the Option Fee Shares, the \$2,500,000 value of the Initial Consideration Shares, and \$250,000 for the drilling expenditure reimbursement. The directors have chosen to fully expense this purchase consideration in accordance with the policy for mineral exploration expenditure.

4. This is based on:
- (a) Issue of 12,500,000 shares at \$0.02 per share to raise \$250,000 on 10 April 2018.
  - (b) Issue of 12,500,000 shares at \$0.02 per share to raise \$250,000 on 29 June 2018.
  - (c) Issue of the 12,500,000 Option Fee Shares at a deemed value of \$0.02 per share for a total of \$250,000 on 10 April 2018.
  - (d) Issue of the 125,000,000 Initial Consideration shares at a deemed value of \$0.02 per share for \$2,500,000. The Deferred Consideration Shares are not reflected in the pro forma balance sheet because the Deferred Consideration Shares are treated as a share based payment with a performance based vesting condition for accounting purposes. The \$2,500,000 value of the Deferred Consideration Shares may be recognised progressively over the 36 month vesting period, based on the expected timing and probability of declaring the inferred resource at the Big Sandy Lithium Project.
  - (e) Issue of 125,000,000 shares at \$0.02 per share to raise \$2,500,000.
  - (f) Issue of the 9,000,000 Advisor Shares at a deemed value of \$0.02 per share for \$180,000. This includes the 1,500,000 Advisor Shares issued on 29 June 2018 for the Prior Placements and the 7,500,000 Advisor Shares to be issued on completion of the Capital Raising.
  - (g) Recognition of the \$180,000 total deemed value of the Advisor Shares as capital raising costs.
  - (h) Payment of \$18,000 in GST on Advisor Shares, also recognised as a capital raising costs.
  - (i) Payment of \$20,381 to ASX for listing of newly issued shares.
5. This is based on:
- (a) Issue of 17,250,000 Tranche A Director options and 17,250,000 Tranche B Director Options at a total value of \$830,070 to be recognised in the share based payment reserve.
  - (b) Issue of 15,000,000 Tranche A share options and 15,000,000 Tranche B share options to other employees at a total value of \$721,800 to be recognised in the share based payment reserve.
  - (c) Issue of 15,000,000 Tranche A Advisor Options and 15,000,000 Tranche B Advisor Options at a total value of \$721,800 to be recognised in the share based payment reserve.
  - (d) Valuation of all Tranche A options at \$0.02459 per option performed as at 28 June using the Black-Scholes model with an exercise price of 4c, a term of 4 years, the underlying share price at the valuation date of 3.4c, an annualised share price volatility of 111%, an interest rate of 2.22% and no discount to reflect other conditions.
  - (e) Valuation of all Tranche B options at \$0.02353 per option performed as at 28 June using the Black-Scholes model with an exercise price of 5c, a term of 4 years, the underlying share price at the valuation date of 3.4c, an annualised share price volatility of 111%, an interest rate of 2.22% and no discount to reflect other conditions.
6. This is based on:
- (a) Immediate expensing of the 34,500,000 Director options at a total value of \$830,070 recognised in the share based payment reserve.
  - (b) Immediate expensing of the 30,000,000 share options for other employees at a total value of \$721,800 recognised in the share based payment reserve.
  - (c) Immediate expensing of the difference between the \$721,800 total value of the 30,000,000 Advisor Options recognised in the share based payment reserve, and the \$3,000 to be received for these options.
  - (d) Immediate expensing of the \$3,000,000 effective initial purchase consideration of the mineral exploration interests to be acquired.

### Schedule 3 - Terms and conditions of the Director Options and Advisor Options

The Director Options and Advisor Options entitle the holder to subscribe for Shares on the following terms and conditions:

1. **Entitlement**

Each Director Option and Advisor Option (**Option**) entitles the holder to subscribe for one Share upon exercise of the Option.

2. **Exercise Price and Expiry Date**

The exercise price and expiry date for the Options is as follows:

- (a) Tranche 1: an exercise price of \$0.04 per Option and expiring on a date that is 4 years from the date of issue.
- (b) Tranche 2: an exercise price of \$0.05 per Option and expiring on a date that is 4 years from the date of issue.

An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

3. **Exercise Period**

Subject to paragraph 2, the Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

4. **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

5. **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

6. **Quotation**

Unless determined otherwise by the Board in its absolute discretion, the Options will not be quoted on the ASX or any other recognised exchange.

7. **Issue of Shares on exercise**

Within 15 business days after the Exercise Date, the Company will:

- (a) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (b) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the

Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

- (c) if admitted to the official list of ASX at the time, subject to any restriction or escrow arrangements imposed by ASX or under the Plan, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under paragraph 7(a) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 business days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

**8. Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

**9. Reconstruction of capital**

In the event of any reconstruction (including consolidation, subdivision, reduction or return of capital) of the issued capital of the Company prior to the expiry date of the Options, all rights of the Option holder will be varied in accordance with the Listing Rules.

**10. Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options. However, the Company will give the holders of Options notice of the proposed issue prior to the date for determining entitlements to participate in any such issue.

**11. Change in exercise price**

There will be no change to the exercise price of the Options or the number of Shares over which the Options are exercisable in the event of the Company making a pro rata issue of Shares or other securities to the holders of Shares in the Company (other than a bonus issue).

**12. Adjustment for bonus issues**

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the holder would have received if the holder of the Options had exercised the Option before the record date for the bonus issue; and
- (b) no change will be made to the Option exercise price.

**13. Transferability**

The Options are transferable with prior written consent of the Board.





Hawkstone Mining Limited | ACN 008 720 223

# GM Registration Card

If you are attending the meeting in person, please bring this with you for Securityholder registration.

**Holder Number:**

## Vote by Proxy: HWK

Your proxy voting instruction must be received by **11.00am (WST) on Wednesday, 1, August, 2018**, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

### SUBMIT YOUR PROXY VOTE ONLINE

## Vote online at <https://investor.automic.com.au/#/loginsah>

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting form.



- ✓ **Save Money:** help minimise unnecessary print and mail costs for the Company.
- ✓ **It's Quick and Secure:** provides you with greater privacy, eliminates any postal delays and the risk of potentially getting lost in transit.
- ✓ **Receive Vote Confirmation:** instant confirmation that your vote has been processed. It also allows you to amend your vote if required.

### SUBMIT YOUR PROXY VOTE BY PAPER

Complete the form overleaf in accordance with the instructions set out below.

#### YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes

#### VOTING UNDER STEP 1 - APPOINTING A PROXY

If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chairman of the Meeting will be appointed as your proxy by default.

#### DEFAULT TO THE CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP

#### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

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

#### APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

#### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided

**Individual:** Where the holding is in one name, the Shareholder must sign.

**Joint holding:** Where the holding is in more than one name, all of the Shareholders should sign.

**Power of attorney:** If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

**Companies:** To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

**Email Address:** Please provide your email address in the space provided. **By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.**

#### CORPORATE REPRESENTATIVES






If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

#### ATTENDING THE MEETING

Completion of a Proxy Voting Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Voting Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.

#### POWER OF ATTORNEY

If a representative as power of attorney of a Shareholder of the Company is to attend the Meeting, a certified copy of the Power of Attorney, or the original Power of Attorney, must be received by the Company in the same manner, and by the same time as outlined for proxy forms.

CONTACT	<b>Return your completed form:</b>   <b>BY MAIL</b> Automic Registry Services PO Box 2226 Strawberry Hills NSW 2012	<b>Contact us – All enquiries to Automic:</b>   <b>WEBCHAT</b> <a href="https://automic.com.au/">https://automic.com.au/</a>
	 <b>IN PERSON</b> Automic Registry Services Level 3, 50 Holt Street, Surry Hills NSW 2010	 <b>EMAIL</b> <a href="mailto:hello@automic.com.au">hello@automic.com.au</a>
		 <b>PHONE</b> 1300 288 664 (Within Australia) +61 2 9698 5414 (Overseas)

STEP 1: Please appoint a Proxy	<b>Complete and return this form as instructed only if you do not vote online</b> I/We being a Shareholder entitled to attend and vote at the General Meeting of Hawkstone Mining Limited, to be held at <b>11.00 am (WST) on 3 August 2018 at Suite 23, 513 Hay Street, Subiaco, Western Australia</b> hereby:
	<p><b>Appoint the Chairman of the Meeting (Chair)</b> OR if you are not appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit and at any adjournment thereof.</p> <div style="border: 1px solid black; height: 20px; width: 100%;"></div>
	<p><b>The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.</b>                  Unless indicated otherwise by ticking the "for," "against" or "abstain" box you will be authorising the Chair to vote in accordance with the Chair's voting intention.</p>
	<p><b>AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS</b>                  Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolution(s) 6(a) - 6 (d) (except where I/we have indicated a different voting intention below) even though Resolution(s) 6 (a) - 6 (d) are connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.</p>

STEP 2: Your Voting Direction	<b>Resolutions</b>	<b>For</b>	<b>Against</b>	<b>Abstain</b>	<b>Resolutions</b>	<b>For</b>	<b>Against</b>	<b>Abstain</b>
	1 Approval to change in scale of activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6(a) Approval to issue Director Options – Mr Paul Lloyd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	2 Approval to issue Consideration Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6(b) Approval to issue Director Options – Ms Oonagh Malone	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	3(a) Ratification of Tranche 1 Placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6(c) Approval to issue Director Options – Mr Shaun Hardcastle	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	3(b) Ratification of Tranche 2 Placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6(d) Approval to issue Director Options - Mr Richard Pearce	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	3(c) Ratification of Option Fee Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7 Election of Director – Mr Paul Lloyd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	3(d) Ratification of Advisor Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
	4 Approval to issue Capital Raising Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
	5(a) Approval to issue Advisor Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
	5(b) Approval to issue Advisor Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
<p><i>Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.</i></p>								

STEP 3: Sign	<b>SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED</b>		
	Individual or Securityholder 1	Securityholder 2	Securityholder 3
	<div style="border: 1px solid black; height: 20px; width: 100%;"></div>	<div style="border: 1px solid black; height: 20px; width: 100%;"></div>	<div style="border: 1px solid black; height: 20px; width: 100%;"></div>
	Sole Director and Sole Company Secretary	Director	Director / Company Secretary
Contact Name..... Contact Daytime Telephone..... Date ____ / ____ / ____			
Email Address _____			
<b>By providing your email address, you elect to receive all of your communications despatched by the Company electronically (where legally permissible).</b>			