ASX Announcement **31 October 2018**
ASX: HWK

HAWKSTONE MINING LIMITED QUARTERLY ACTIVITIES REPORT SEPTEMBER 2018

HIGHLIGHTS

- **Acquisition of USA Lithium Limited completed**
- **Maiden drill programme at Big Sandy undertaken with final results pending**
- **Assay results from the initial 4 holes demonstrate significant thickness and continuity of the clay hosted lithium mineralisation at the Big Sandy Project.**
  - **43.8 m @ 2,089 ppm Li (DDH6) including;**
    - **11 m @ 2,537 ppm Li from 12 metres**
    - **5.28 m @ 2,260 ppm Li from 38 metres**
    - **2.67 m @ 2,761 ppm Li from 46.3 metres**
  - **22 m @ 2,020 ppm Li (DDH7) including;**
    - **3.0 m @ 2,416 ppm Li from 11 metres**
    - **10.0 m @ 2,486 ppm Li from 18 metres**
  - **in DDH 4 located 700 metres north of DDH7**
    - **18.8 m @ 1,286 ppm Li from 8.2 metres**
    - **14 m @ 1,677 ppm Li from 46 metres**
    - **13 m @1,672 ppm Li from 76 metres**
- **Positive results support submission of plans with the BLM for approval to undertake drilling to estimate a maiden resource.**

ACQUISITION OF USA LITHIUM LIMITED

Hawkstone Mining Limited (ASX:HWK) (**Hawkstone** or the **Company**) announced on 26 June 2018 that it had agreed revised terms 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. Subsequent to shareholder approval received at a

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general meeting held on 3 August 2018, the other conditions precedent were satisfied and completion of the acquisition was announced on 7 September 2018. Full details of the acquisition terms are set out in the notice of meeting released to the ASX on 4 July 2018.

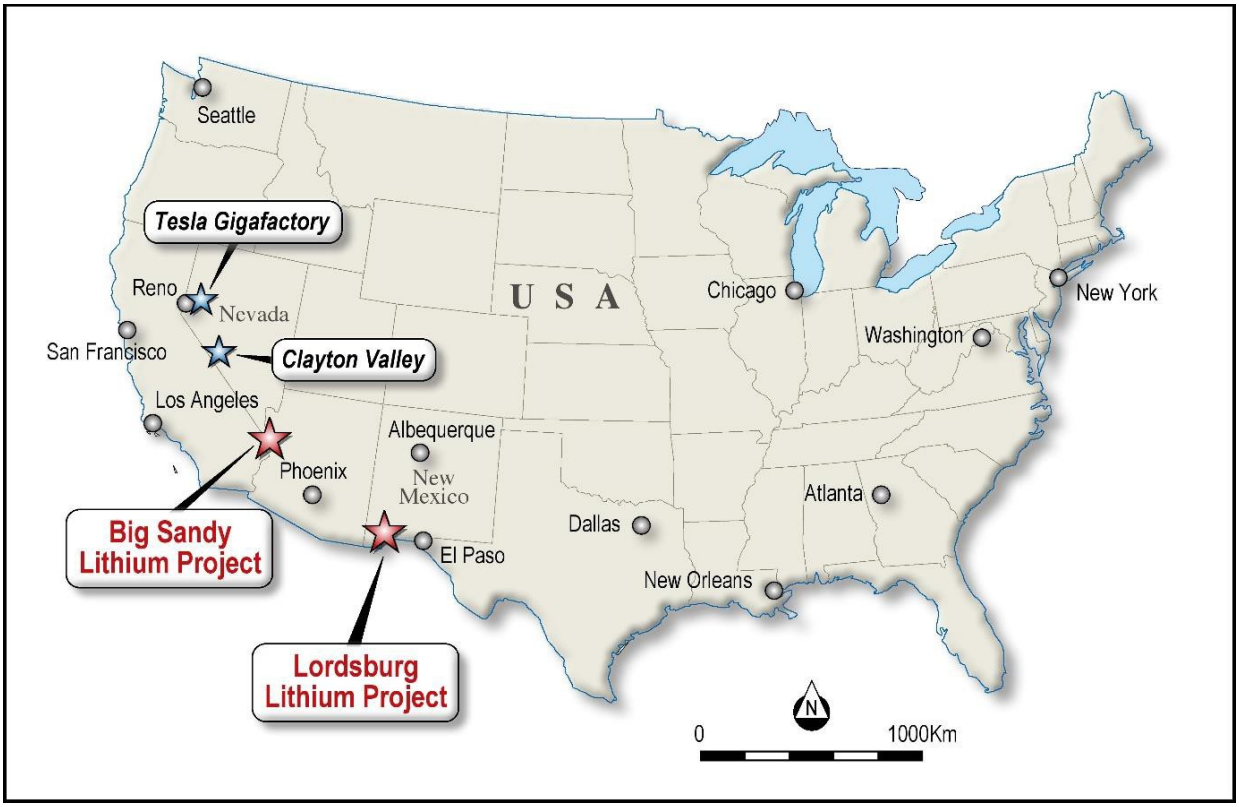

Figure 1: Big Sandy and Lordsburg Lithium Projects, USA.

BIG SANDY MAIDEN DRILL PROGRAM

In July 2018, the Company commenced a drilling programme approved by the BLM of 16 holes for approximately 1,600 metres (ASX: 25 July 2018). The focus of the programme is to test the highly anomalous results from the previous detailed mapping, surface sampling and shallow auger programmes across the mapped 11km x 2km zone of lithium mineralised green lacustrine clays (Figures 1 & 2). It will also test for the potential presence of stacked mineralisation zones within the Big Sandy Formation, host to the lithium mineralised green clays (Figures 2 & 3).

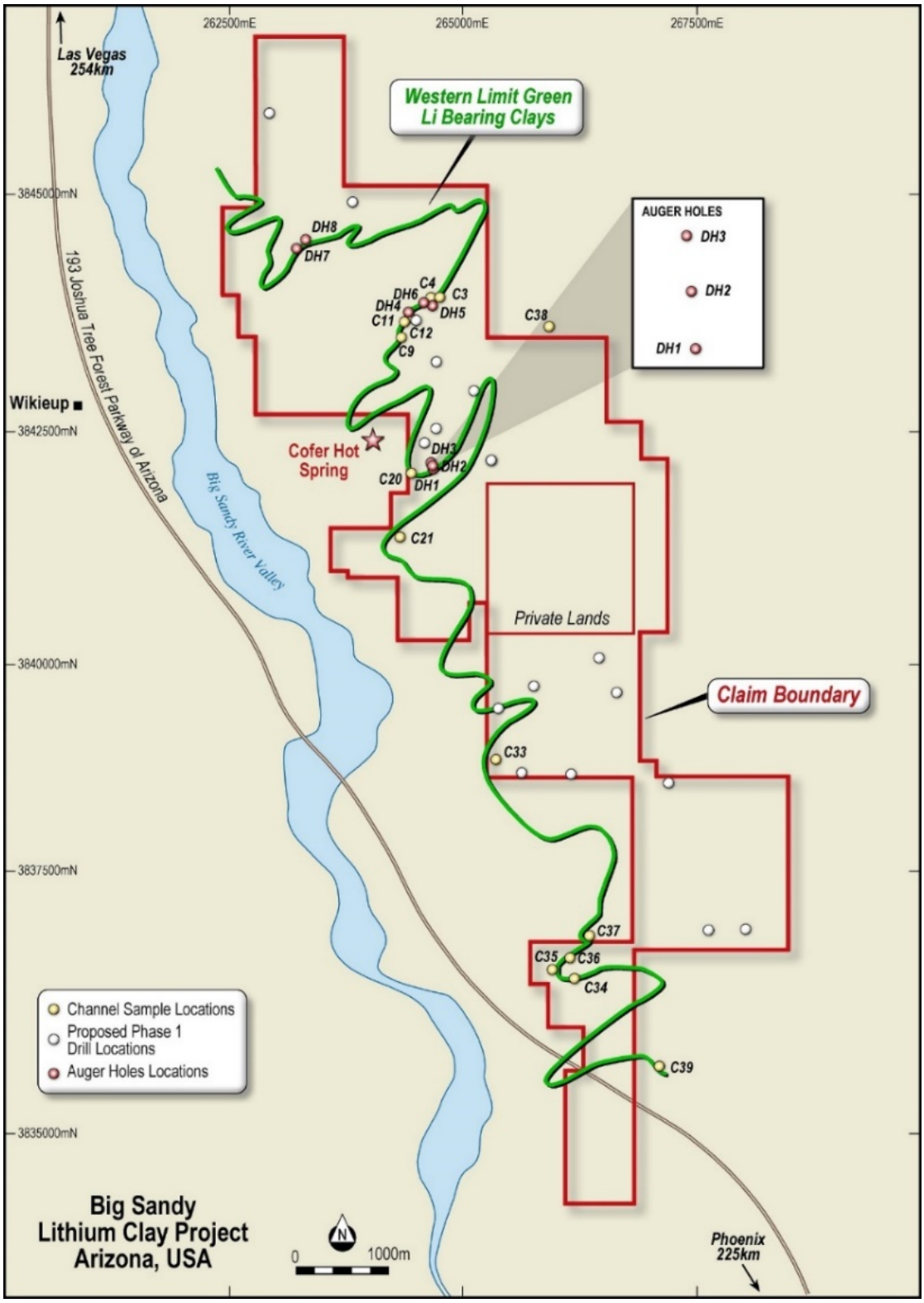

Figure 2 – Big Sandy Claim Outline and Proposed Drilling Locations

Figure 3 – Big Sandy – Maiden Drill Program

On 20 September 2018, the Company announced the results of the first four diamond drill holes.

Holes DDH6/6A[1] and DDH7 intersected mineralised lithium clays from approximately 8m downhole (Figures 4 and 5):

- **DDH6/6A returned 43.8 m @ 2,089 ppm lithium from 8.2 metres: and**
- **DDH7 contained 22 m @ 2,020 ppm lithium from 8.0 and 11.0 m @ 2,013 ppm lithium from 36.0 metres**.

These holes are separated by 190 metres with only a 3-metre difference in elevation.

DDH4 drilled 700m north of DDH7 returned 3 mineralised zones; 18.8 m @ 1,288 ppm Li from 8.2 metres, 14.0 m @ 1,677 ppm Li from 46.0 metres and 13.0 m @ 1,672 ppm from 76.0 metres.

DDH4 was collared at an elevation 47m above DDH7 and the intercept from 8.2m is interpreted as a mineralised zone lying above those intersected in DDHs 6 and 7. The lower 2 intercepts in DDH4 correlate geologically with those returned from DDHs 6 and 7. This demonstrates the shallow depth as well as the excellent grade and geological continuity of the mineralisation.

It is the same mineralised clay that was tested by auger drill holes 210m south of DDH6, DH1 to DH3 (refer ASX announcement 22 March 2018), which returned assays of **2,983, 3,370** and **3,150 ppm lithium**

[1] *As previously reported, DDH6A was collared approximately 1m from DDH6 to recover the upper portion of the clay interval lost in DDH6. The significant intercept for DDH6/6A includes results from 8.23m to 16m from DDH6A and from 16m onwards from DDH6.*

respectively (Figure 5). These characteristics of thickness and excellent geological/grade continuity will potentially enable a rapid resource definition in this area.

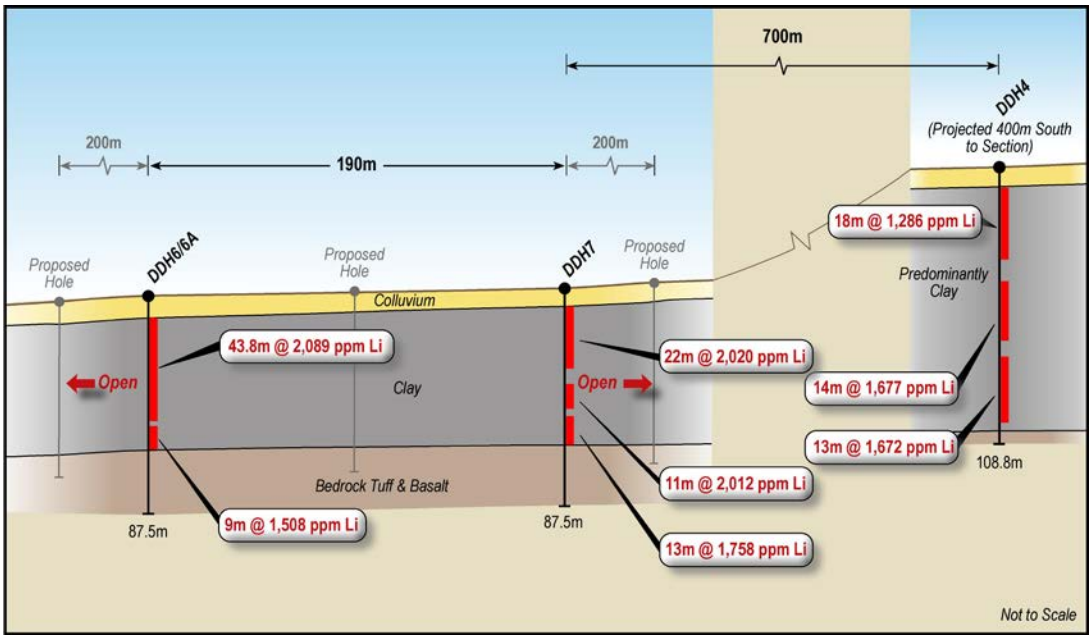

Figure 4 – Cross Section DDHs 6/6A, 7 & 4

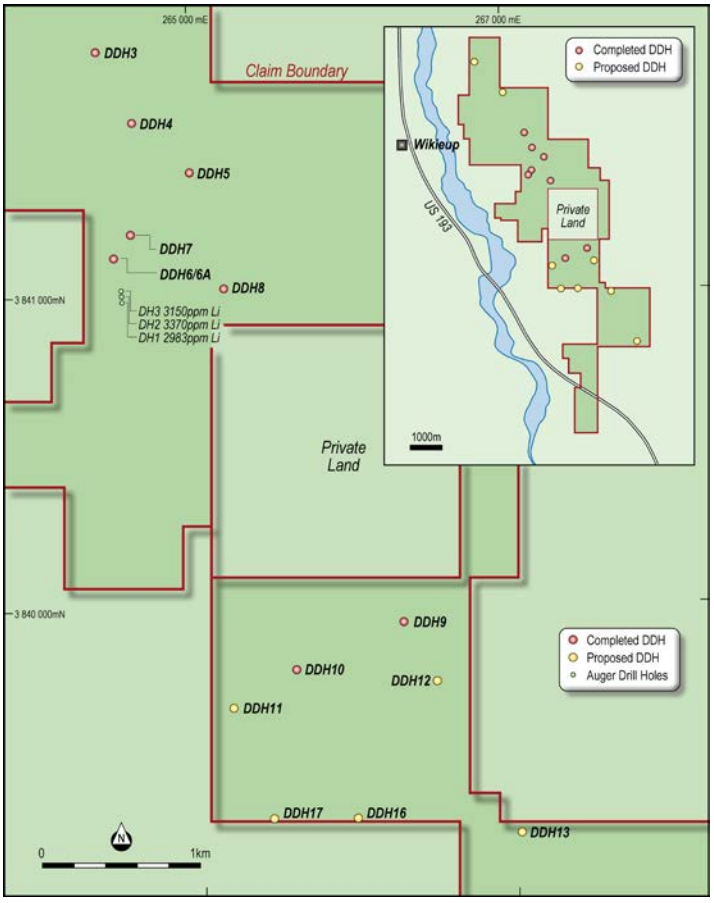

Figure 5 – Drill Hole Location Plan

Figure 6 - Big Sandy DDH7 – Mineralised Clay, Interval 23 – 28m (2,518ppm Li)

Figure 7 - Big Sandy – Lithium Mineralised Lacustrine Clays

Significant intercepts are set out below in Table 1. For full details of all drill results, see ASX announcement dated 20 September 2018.

Table 1 – Significant Intercepts

Hole Id	Easting	Northing	RL	From (m)	To (m)	metres	Li ppm
DDH4	264643	3843106	662	8.2	27.0	18.8	1,288
				46.0	60.0	14.0	1,677
				76.0	89.0	13.0	1,672
DDH5	265004	3842783	637	13.0	17.5	4.6	1,506
DDH6/6A	264508	3842247	615	8.2	52.0	43.8	2,089
				Incl. 11m @ 2,537 ppm Li from 12 - 23m			
				Incl. 5.28m @ 2,260 ppm Li from 38 - 43.28m			
				Incl. 2.67m @ 2,761 ppm Li from 46.33 - 49m			
				53.0	62.0	9.0	1,440
DDH7	264618	3842396	619	8.0	30.0	22.0	2,020
				Incl. 3m @ 2,416 ppm Li from 11 - 14m			
				Incl. 10m @ 2,486 ppm Li from 18 - 28m			
				36.0	47.0	11.0	2,013
				52.0	63.0	11.0	1,589

**Easting and Northing in UTM NAD83 Zone 12*

DDH5 was terminated in tertiary basalt after passing through a shallow interbedded limestone and clay horizon. Geological mapping indicated that the basalt does not persist to the west and should not have any impact on potential resources related to mineralisation intersected in DDHs 4, 6/6A and 7.

A further 4 holes have been completed; DDHs 3, 8, 9 and 10. DDH3, located 500m northwest of DDH4, intersected a thick sequence of interbedded clays and tuffs. Sampling has been completed and submitted to ALS for analysis. Hole DDH8, located 770m southeast of DDH5 was terminated in basalt that is interpreted to be a Tertiary basalt similar to that intersected in DDH5. It has been sampled and dispatched to ALS.

DDHs 9 and 10 intersected a thick sequence of carbonate cemented conglomerate defining a west south west orientated erosional palaeochannel scoured through the lacustrine basin. As the conglomerate is composed of the same material to the surficial colluvium that covers most of the area its presence was unrecognised. It is interpreted to separate the northern and southern portions of the lacustrine basin. It will not impact on potential resources related to mineralisation intersected in DDHs 6 and 7.

Pending assay results will be released to market in due course.

LORDSBURG LITHIUM BRINE PROJECT

Lordsburg comprises 355 BLM claims covering 28.7km^2 in the southwest corner of the state of New Mexico. It is easily accessed along the I10 Interstate between Tucson (Arizona) and La Cruces (New Mexico) close to the New Mexico, Arizona border (Figure 1). Rail lines pass to the north of the Claim Block and through the lake system to the south.

Work has yet to commence on the Lordsburg Project.

KANGWANE SOUTH PROJECT

On 7 September, the Company announced final assay results for the 4 borehole Phase 2 drill program commenced in January 2018 on its Kangwane South tenement, South Africa. The results of the drilling program confirm the coal is medium ash, low phosphorus and low sulphur anthracite. The Phase 2 drill program was designed following receipt of results of the aeromagnetic survey undertaken by the Company in late 2017 and follows the initial Phase 1 drill program of 2 boreholes completed in September 2017.

A summary of the analyses and washability tests conducted on the four borehole core samples are tabulated below:

Table 1: Raw Qualities

Hole Id	Seam	Moisture	Ash	Volatiles	FC	Sulphur	CV	Yield	Raw RD
KS15	7	8.80	38.60	5.90	46.80	0.10	15.86	100	1.93
KS17	7	1.40	38.20	7.60	52.80	0.46	19.80	100	1.73
KS18	7	1.90	28.10	6.80	63.20	0.47	23.84	100	1.60
KS19	7	5.60	31.20	2.60	60.60	0.11	18.66	100	2.11
KS17	5+6	1.38	27.58	8.74	62.33	0.63	23.98	100	1.63
KS18	5+6	3.07	30.51	6.29	60.06	0.35	22.34	100	1.69
KS19	5+6	1.65	27.65	4.68	66.04	0.40	23.60	100	1.81
KS17	3	1.54	27.40	7.99	63.04	0.40	24.20	100	1.63
KS19	3	2.03	33.85	5.81	58.31	0.42	21.04	100	1.77

Table 2: Simulated Wash Qualities for a 20% Ash Product

Hole Id	Seam	Moisture	Ash	Volatiles	FC	Sulphur	CV	Yield	Raw RD
KS17	7	1.60	20.00	7.85	70.55	0.62	27.10	26.29	1.73
KS18	7	2.10	20.00	6.60	71.30	0.52	27.03	67.90	1.60
KS19	7	0.60	20.00	2.39	71.61	0.11	22.04	56.69	2.11
KS17	5+6	1.40	20.00	8.51	70.09	0.65	27.07	77.00	1.63
KS18	5+6	3.63	20.00	6.56	69.81	0.41	26.22	62.43	1.69
KS19	5+6	1.61	20.00	4.75	73.64	0.45	26.51	69.64	1.81
KS17	7	1.60	20.00	7.85	70.55	0.62	27.10	26.29	1.73
KS18	7	2.10	20.00	6.60	71.30	0.52	27.03	67.90	1.60
KS19	7	0.60	20.00	2.39	71.61	0.11	22.04	56.69	2.11

Table 3: Simulated Wash Qualities for a 17 % Ash Product									
Hole Id	**Seam**	**Moisture**	**Ash**	**Volatiles**	**FC**	**Sulphur**	**CV**	**Yield**	**Raw RD**
KS17	7	1.54	17	7.87	73.58	0.66	28.39	17.13	1.73
KS18	7	2.19	17	6.6	74.21	0.54	28.18	52.56	1.6
KS19	7	6.09	17	2.22	74.69	0.11	22.88	43.06	2.11
KS17	5+6	1.41	17	8.27	73.32	0.64	28.35	60.44	1.63
KS18	5+6	3.83	17	6.7	72.47	0.45	27.33	38.04	1.69
KS19	5+6	1.49	17	4.47	77.04	0.47	27.21	32.19	1.81
KS17	3	1.67	17	7.59	73.74	0.47	28.38	73.98	1.63
KS19	3	2.15	17	5.96	74.89	0.35	27.55	63.39	1.77

The phosphorus content in the raw samples for the three mineable seams is tabulated below:

Table 4: Phosphorus Content		
BH ID and Seam	**Width**	**P % in Raw Anthracite**
KS15 7 Seam	0.81	0.012
KS17 7 Seam	1.26	0.009
KS17 5+6 Seam	2.01	0.016
KS17 3 Seam	3.62	0.015
KS18 7 Seam	1.28	0.013
K 18 5+6 Seam	1.66	0.012
KS19 7 Seam	1.30	0.010
KS19 5+6 Seam	1.30	0.012
KS19 3 Seam	2.22	0.014

A number of samples had their fractional floats reconstituted to produce a 17% Ash product. The phosphorus content in the coal was determined and they all indicated very low phosphorus content. The results are tables below:

Table 5: Phosphorus Content on 17% Ash Reconstitution						
Sample	**Mass As**	**Lab**	**Ash**	**P %**		**P %**
Mark	**Received (kg)**	**Number**	**%**	**In Sample**	**Seam**	**in Seam**
KS17/6/1 Composite	3.65	410416	17.0	0.007	5+6	0.008
KS17/5/1 Composite	3.66	410417	17.2	0.008	5+6	
KS17/3/2 Composite	7.62	410418	15.0	0.007	3	0.007
KS17/3/3 Composite	3.63	410419	16.4	0.008	3	
KS18/7/1 Composite	5.96	410420	16.5	0.009	7	0.009

Table 6: Kangwane South Average Raw Values (air dry basis)							
Seam	**Moisture**	**Ash**	**Volatiles**	**FC**	**Sulphur**	**CV**	**Raw RD**
Seam 5+6	1.27	32.60	7.73	58.38	0.59	21.48	1.65
Seam 3	1.51	25.76	7.50	65.24	0.58	24.28	1.57
Seam 7	1.70	28.28	7.32	62.46	0.50	23.08	1.63

Geotechnical tests conducted from impact splitting on selected seams indicated the mining roof conditions as set out below with the total roof rating for each seam achieving moderate to very good outcomes. Full details are set out in the Company's announcement dated 7 September 2018.

Competent Persons' Statements

Information contained in this announcement that relates to Exploration Results for the Big Sandy Project was first reported by the Company on 20 September 2018. The Company confirms that it is not aware of any new information or data that materially affects these Exploration Results. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Information contained in this announcement that relates to Exploration Results for the Kangwane South Project was first reported by the Company on 7 September 2018. The Company confirms that it is not aware of any new information or data that materially affects these Exploration Results. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Appendix 1

The following information is provided pursuant to Listing Rule 5.3.3 for the quarter ended 30 September 2018.

Project	Location	Interest
Kangwane South Project	Mpumulanga Province, South Africa	70%

The below tenements were acquired by the Company during the quarter.

Project	Claim Number	Location	Number of Claims	Interest
Big Sandy	WIK-001 to WIK-112	Arizona, USA	112	100%
Big Sandy	BSL-001 to BSL-146	Arizona, USA	146	100%
Lordsburg	LLP-001 to LLP-208	New Mexico, USA	208	100%
Lordsburg	LLP-209 to LLP-354	New Mexico, USA	147	100%

No tenements were disposed of during the quarter.