



## HAWKSTONE AGREES REVISED TERMS TO ACQUIRE TWO STRATEGIC LITHIUM PROJECTS IN THE USA

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### HIGHLIGHTS

- **New revised agreement executed to acquire 100% of USA Lithium Limited**
  - 50% of consideration linked to announcement of 30Mt resource at Big Sandy
- **USA Lithium owns 100% of two highly prospective lithium projects:**
  - Big Sandy Clay Lithium Project - Arizona
  - Lordsburg Lithium Brine Project - New Mexico
- **Big Sandy: multi-kilometre, lithium mineralised lacustrine “green clay” horizon with high grade surface soil assay results from weathered zone**
  - 16-hole diamond drilling programme for 1,600m to commence immediately
- **Lordsburg subject to no modern exploration (Clayton Valley look alike)**
- **Paul Lloyd to be appointed managing director of Hawkstone**
  - USA Lithium retain the right to appoint a further director
- **Greg Smith to be appointed Chief Technical Officer to lead exploration**
- **USA Lithium has continued exploration activities over the past quarter**
- **Exploration activities to be fully funded via a \$2.5M placement, subject to shareholder approval**

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Hawkstone Mining Limited (ASX:HWK) (**Hawkstone** or the **Company**) is pleased to announce that it has 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 (**Acquisition**).

The Acquisition is subject Hawkstone shareholder approval, minority USA Lithium vendors executing formal sale agreements and certain other conditions precedent outlined below.

On behalf of the Hawkstone Directors, Ms Oonagh Malone, commented,

*“Hawkstone is extremely pleased to have been able to agree revised terms for the acquisition of USA Lithium and looks forward to rapidly advancing the exploration program at Big Sandy and Lordsburg.*

*The Board considers the revised terms significantly de-risk the acquisition for Hawkstone shareholders as 50% of the consideration is now contingent on the announcement of a 30Mt inferred resource at Big Sandy.*

*Following fieldwork undertaken by USA Lithium over the past 3 months and the recent BLM approvals, USA Lithium is about to commence an exciting 16-hole diamond drilling programme at Big Sandy to be led by Greg Smith.”*

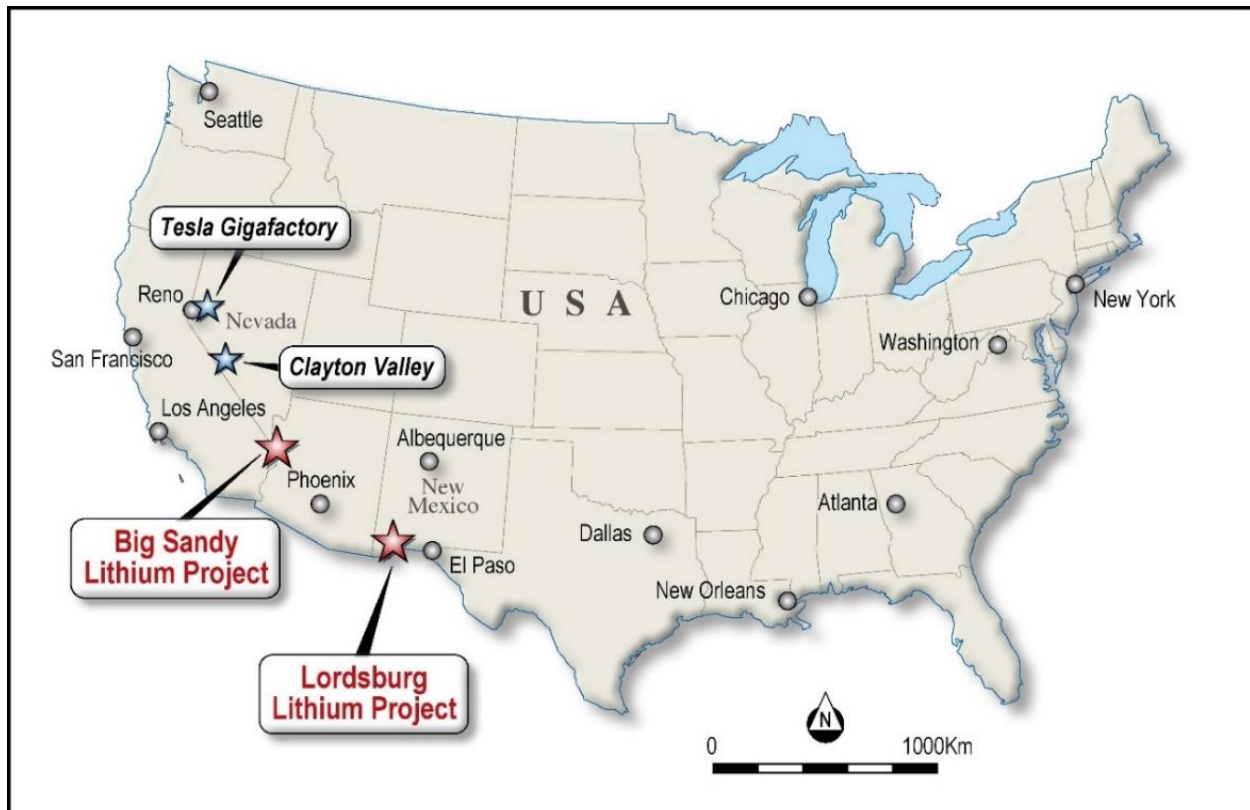


Figure 1 – Big Sandy and Lordsburg Lithium Projects

### BIG SANDY LITHIUM CLAY PROJECT

Big Sandy straddles Interstate I93 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.

Development of lithium projects in the USA is a priority for Federal US agencies following the signing of the Executive Order 'Federal Strategy to Ensure Secure and Reliable Supplies of Critical Minerals' by President Trump on 20 December 2017. Big Sandy is also of strategic relevance given the Tesla Gigafactory is located approximately 960km by sealed interstate highway to the north west.

#### Local Geology

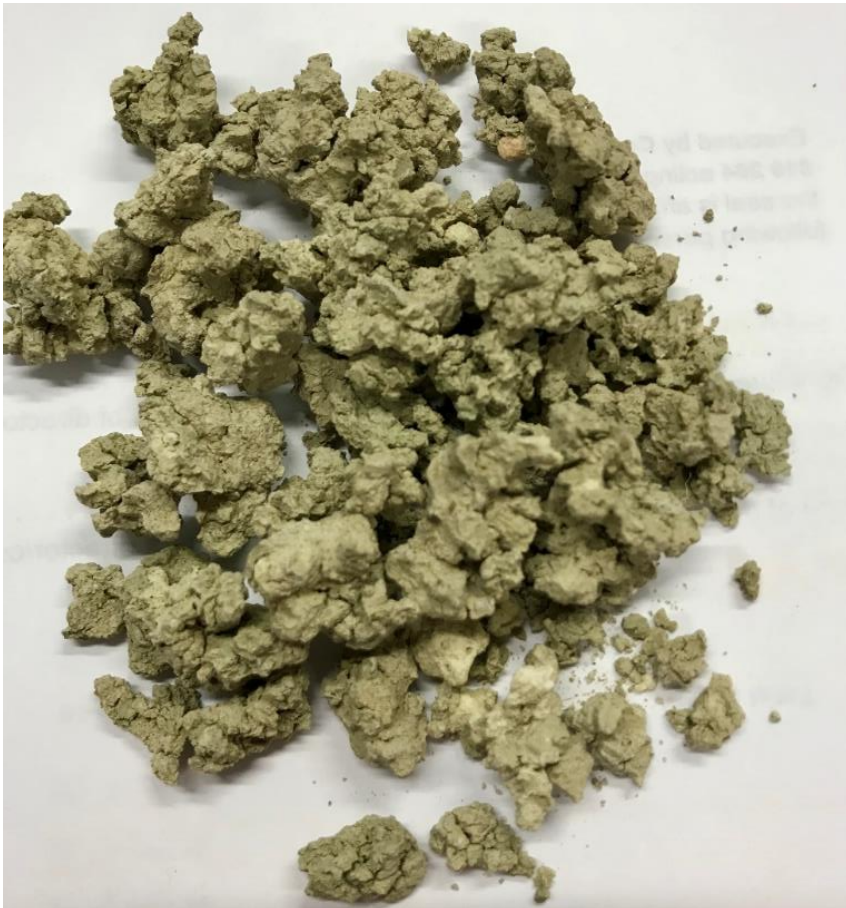
Big Sandy is characterized largely by flat-lying basin sediments comprising predominantly clays with analcime and potassic alteration zones. The green lacustrine lithium bearing clay horizon is traceable for over 11km north to south and extends at least 2km to the east as a flat sheet at or near surface (see Figure 2). 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;

- Traditional, large scale, open-pit mining methods.
- Free-dig material with no drill and blast costs.
- Simple flow-sheet with little requirement for crushing and grinding.



**Figure 2 – Big Sandy - Green Lacustrine Lithium Bearing Clay Horizon  
(approximately 1.5km north of Cofer Hot Springs)**



**Figure 3 – Big Sandy - Green Lacustrine Lithium Bearing Clays**

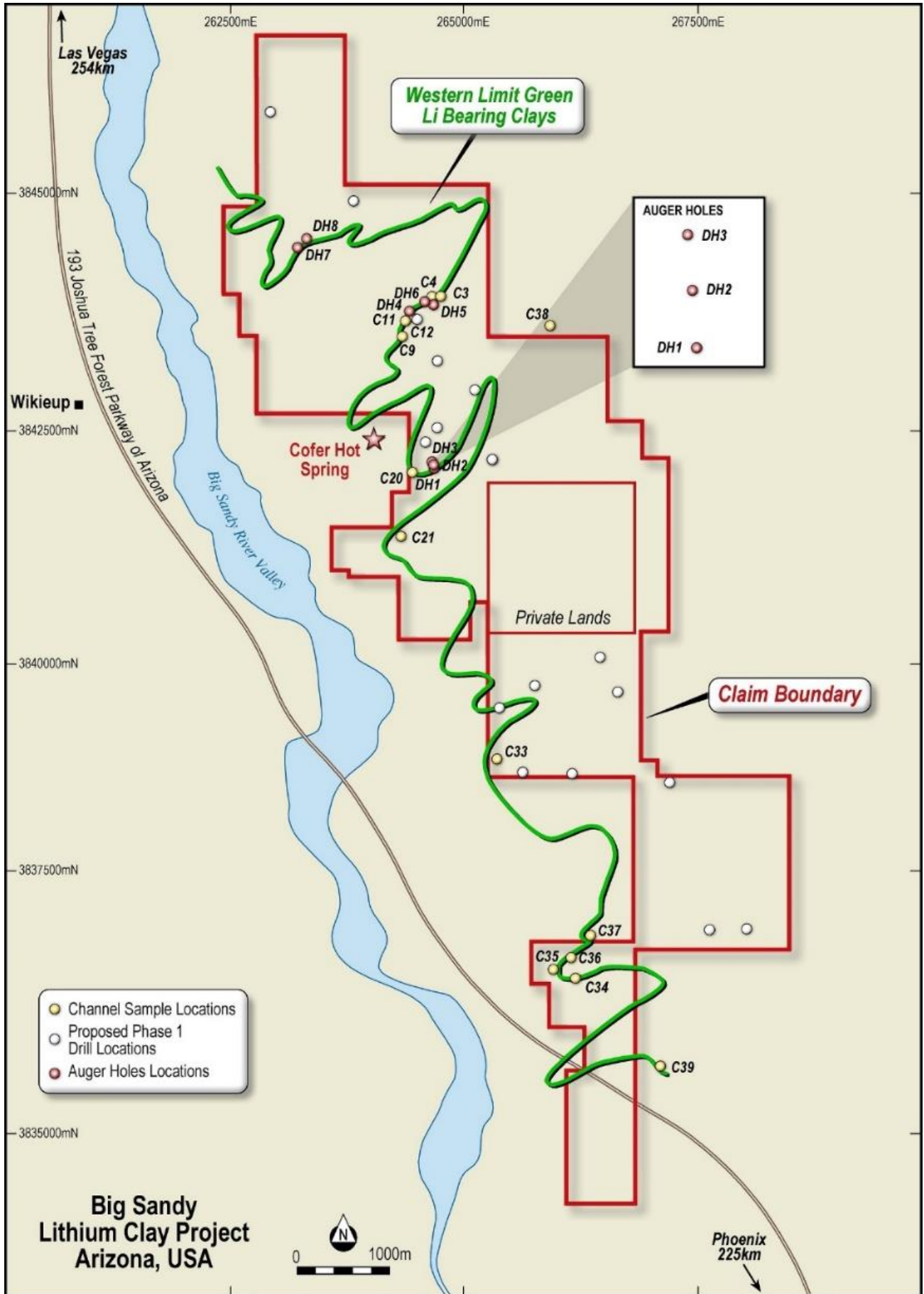


Figure 4 – Big Sandy – Claims Outline and Past Exploration Results

### Big Sandy – Drill Programme and 2017 Exploration Results

USA Lithium recently received BLM approval to undertake a 16 diamond drill hole programme (circa 1,600 metres) to test the highly anomalous results from the previous detailed mapping, surface sampling and shallow auger drilling on the mapped 11km x 2km zone of lithium mineralised green lacustrine clays. A drilling contractor has been engaged with mobilisation and drilling to commence immediately.



**Figure 5 – Big Sandy – Approved Drill Location Hole 3**

Two previous phases of exploration completed in 2017 provided highly encouraging results. The focus initially 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.

A total of 201 samples were collected in the first exploration programme returning positive results including:

Channel	Approximate Location	Estimated Channel Length (m)	Number of Samples (~3m / sample)	Average Grade Li ppm	Grade Range Li ppm	Sampled Horizon
C3	264677E 3843803N	18	6	1,023	850 - 1100	Green Clay (Main Zone)
C4	264575E 3843759N	12	4	987	840 - 1130	Green Clay (Main Zone)
C9	264255E 3843363N	42	14	1,066	640 - 2,280	Main Zone
C11	264327E 3843572N	24	8	1,154	760 - 1,910	Main Zone
C12	264354E 3843607N	18	6	1,067	800 - 1,400	Main Zone
C20	264544E 3841963N	15	5	2,701	1,130 - 2,930	Main Zone
C21	264196E 3841225N	3	1	1,190	point sample	Green Clays (Lower green zone)

**Table 1 – Significant Sample Results from Phase 1 Exploration**

A second round of mapping and sampling was completed in July 2017, where a total of 74 samples were collected including 8 auger holes up to 1m depth. Multi element analyses was completed by ALS Laboratories using a 4-acid digest for sample preparation.

Five channel samples in the weathered zone returned results exceeding 1,000 ppm up to 1,312 ppm lithium over widths of 12m – 24m.

Channel	Approximate Location	Estimated Channel Length (m)	Number of Samples (~3m / sample)	Average Grade Li ppm	Grade Range Li ppm	Sampled Horizon
C33	265161E 3838844N	15m	5	1,042	910 - 1,170	Green clay (Main Zone)
C34	265954E 3836466N	24m	8	1,066	480 – 1,440	Green clay (Main Zone)
C35	265730E 3836561N	21m	7	1,313	1,140 – 1,830	Green clay (Main Zone)
C36	265905E 3836681N	12m	4	1,205	1,140 – 1,310	Green clay (Main Zone)
C37	266116E 3836913N	12m	4	1,180	1,030 – 1,410	Green clay (Main Zone)
C38	265853E 3843462N	30m	10	921	500 – 1,440	Green/brown clay
C39	266824E 3835508N	6m	2	865	810 – 920	Green clay

**Table 2 – Significant Sample Results from Phase II of Exploration**

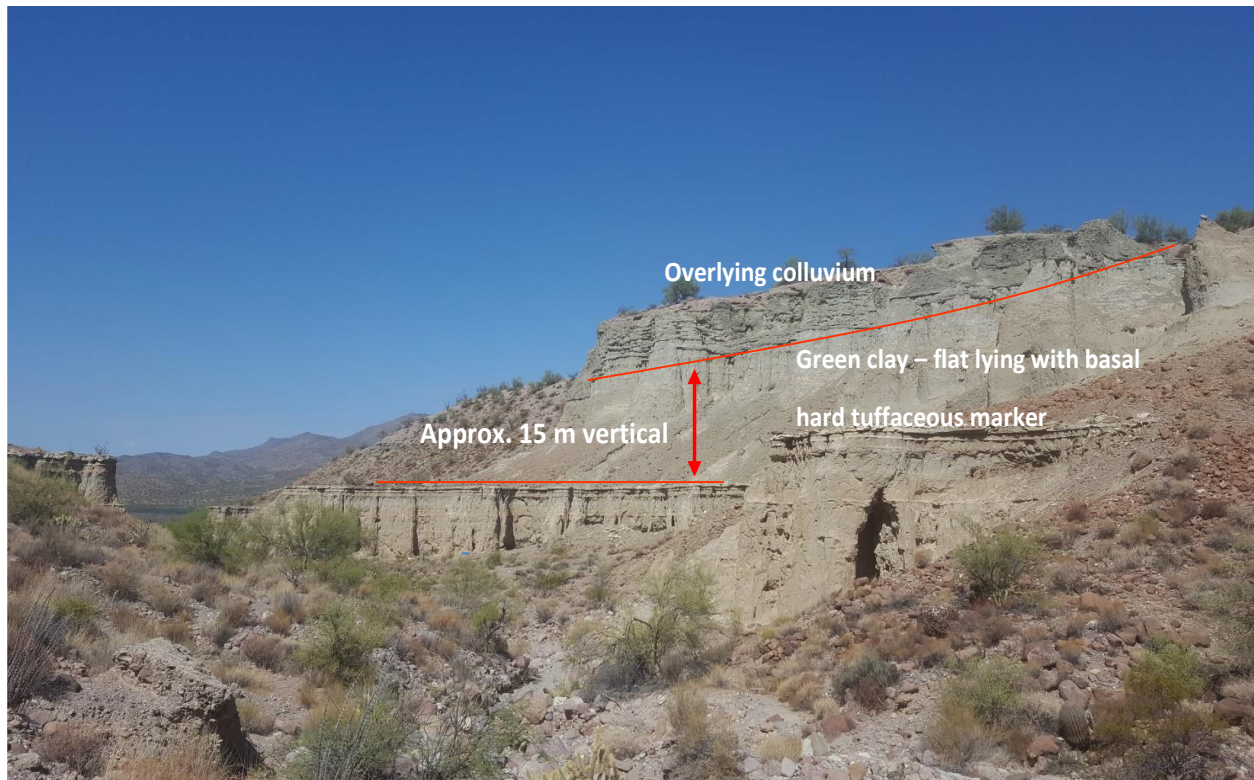
Of the 8 auger holes 7 returned results exceeding 900 ppm lithium and 3 returned results of **2,983 ppm lithium**, **3,370 ppm lithium** and **3,150 ppm lithium**, DH1 to DH3 respectively. These 3 holes are spaced at approximately 35m intervals from south to north testing the same “green clay” horizon (**Figure 6, Figure 7**).

Sample Site	Approximate Location	Sample Numbers	Average Grade Li ppm	Comments
DH1	264555E 3841968N	BS17542 - BS17544	<b>2,983</b>	Samples top, mid and 1m depth.
DH2	264552E 3842005N	BS17545 - 17546	<b>3,370</b>	Samples top and 0.4m depth
DH3	264549E 3842041N	BS17547 - 17549	<b>3,150</b>	Samples top, mid and 0.75m depth
DH4	264346E 3843650N	BS17550 - 17551	1,010	Samples top and 0.5m depth
DH5	264586E 3843727N	17552 - 17553	915	Samples top and 0.5m depth
DH6	264522E 3843736N	17554 - 17555	915	Samples top and 0.25m depth
DH7	263163E 3844365N	17556-17558	817	Samples top, mid and 1 m depth
DH8	263259E 3844442N	17559 - 17561	1,020	Samples top, mid and depth 0.8m depth

**Table 3 – Summary of Auger Sampling**



**Figure 6 – Outcropping Green Clays**



**Figure 7 – Big Sandy- Exposure of Green Clays South of main claim block Sycamore Creek, 3km south of Cofer Spring**



**Figure 8 – Big Sandy- Exposure of Green Clays**

### *Extraction and Processing*

As announced by Hawkstone on 17 May 2018, USA Lithium has appointed Kappes Cassiday & Associates (**KCA**), a group of metallurgical and engineering consultants based in Reno, Nevada to commence metallurgical test work and evaluation on the mineralised lithium clays from Big Sandy.

The KCA test work is to complement the work being undertaken by Membrane Development Specialists LLC (**MDS**) to investigate the amenability of Big Sandy's sediments to lithium extraction using new membrane processes, where 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.

USA Lithium has shipped 70 kg of lithium mineralised clay from Big Sandy to KCA where it will undergo process test work. The sample was taken from shallow auger holes (<0.5m) near the previously reported auger hole, DH2 that returned 3,370ppm Li.

The test work to be conducted by KCA will include head characterisation that includes comminution testing followed by optimum upgrading conditions and best leaching conditions aimed at minimising reagent and energy consumption. The resultant solutions will then be measured at differing leach times and recoveries to determine potential production route. Results are anticipated to be announced during Q3 2018.

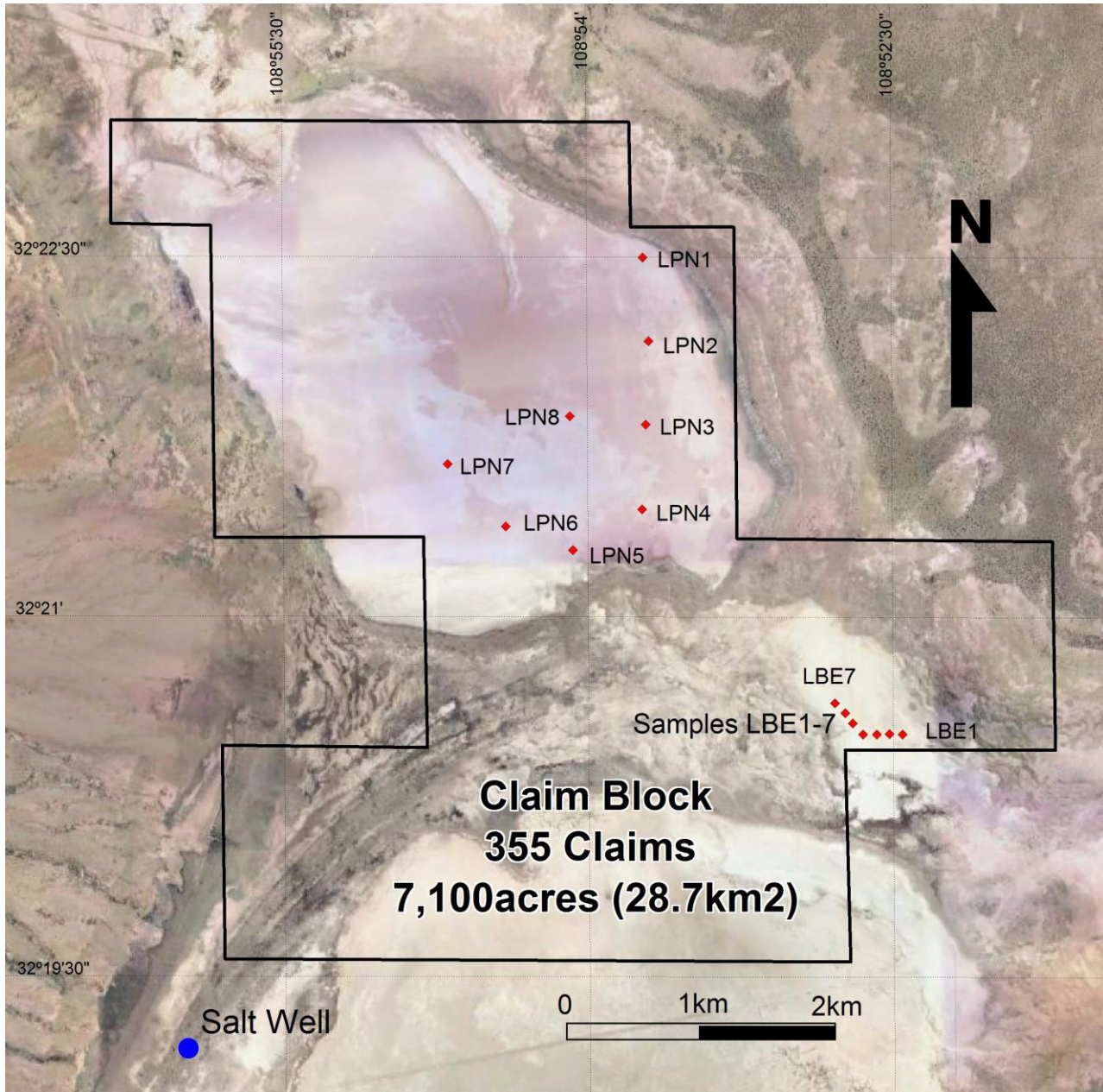
The project has similarities at this early stage of exploration with other lithium bearing clay deposits owned by Bacanora Minerals Limited (AIM: BCN, Market Cap – £115M) - Sonora Project in Mexico and Lithium Americas Corp's (TSX: LAC, NYSE: LAC, Market Cap – C\$669M) - Lithium Nevada Project (formerly Kings Valley Project) in Nevada.



## 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 (**Figure 1 and Figure 9**). 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.



**Figure 9 – Lordsburg Claims, Salt Well and Sampling**

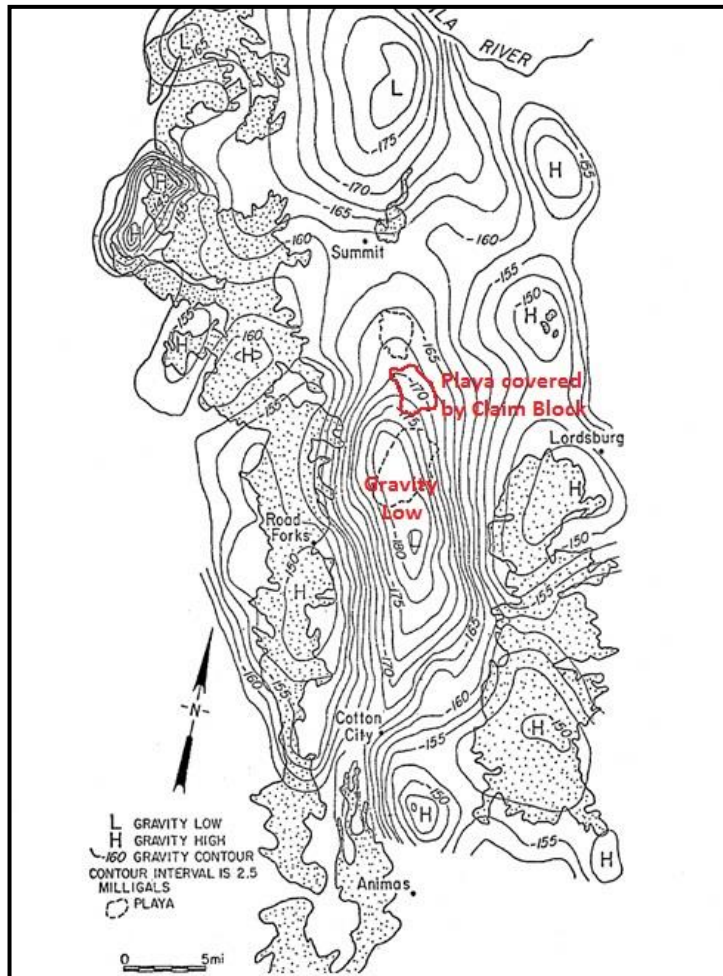
### General Geology

Lordsburg project sits within the playa lake system at the northernmost end of the Animas Valley, southwest New Mexico (**Figure 9**). 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.



**Figure 10 - The Lordsburg Playa Lakes in New Mexico**

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 (Figure 11). Surrounded by tertiary volcanic rocks the valley mimics the Clayton Valley setting.



**Figure 11 – Regional Gravity – Target Playa**

An 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 (**Figure 12**). 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.



**Figure 12- Well Head at Southern - Referenced Bottom Corner of Figure 9**

#### Previous Sampling

Surface sampling has been completed in the claim block. It demonstrated the presence of highly anomalous Li values up to 160ppm. Locations are shown in **Figure 9** and results are shown in the following:

SAMPLE	EASTING	NORTHING	Li ppm	Mg %	K %
LPN 1	697997	3583949	93.2	1.22	3.04
LPN 2	698051	3583303	97.9	1.19	2.94
LPN 3	698039	3582662	133.5	1.73	2.79
LPN 4	698022	3582006	120	1.45	2.92
LPN 5	697492	3581683	135	1.69	2.69
LPN 6	696971	3581853	148.5	1.89	2.59
LPN 7	696513	3582323	140.5	1.83	2.63
LPN 8	697453	3582712	155.5	1.96	2.67
LBE1	700062	3580319	140	No Multi element analysis	
LBE2	699959	3580318	130	No Multi element analysis	
LBE3	699862	3580314	140	No Multi element analysis	
LBE4	699754	3580309	140	No Multi element analysis	
LBE5	699675	3580394	160	No Multi element analysis	
LBE6	699614	3580471	150	No Multi element analysis	
LBE7	699534	3580545	140	No Multi element analysis	

**Table 4 – Sample Results LPN1 to LPN8 & LBE1 to LBE7**

NOTE: Sample Locations UTM84 12S. Both sampling programmes were analysed by ALS Laboratories using a 4-acid digest. LPN1-LPN8 were analysed by ICP and ICP-MS, method ME-MS61. Samples LBE1-LBE7 were analysed with an ICP-AES finish, method Li-ICP61 (Li only analysis).

## ACQUISITION AGREEMENT

1. Subject to satisfaction or waiver of the Completion Conditions (see below), Hawkstone Mining Limited (**Buyer**) has agreed to acquire 100% of the shares of USA Lithium Limited (ACN 623 748 872) (**USA Lithium**) held by the vendors (**Acquisition**). 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**).
2. 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**).
3. Subject to satisfaction or waiver of the Completion Conditions (see below) and Hawkstone shareholder approval, the Buyer will issue of a total of 250,000,000 shares to the vendors (or their nominees) proportionate to the vendors' shareholding in USA Lithium (**Consideration Shares**), as set out below:
  - a. 125,000,000 Buyer Shares at completion (**Initial Consideration Shares**);
  - b. 125,000,000 Buyer Shares, subject to:
    - i. Buyer within 36 months from the completion 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
    - ii. ASX granting a waiver from Listing Rule 7.3.2 for the issue of the Deferred Consideration Shares.
4. Within 2 days following shareholder approval, the Buyer will transfer \$250,000 to USA Lithium.

### *Completion Conditions*

The Acquisition is conditional upon the following completion conditions (**Completion Conditions**):

1. **Capital Raising:** Completion of a further capital raising by the Company to raise up to \$2,750,000 (before costs) through a placement of shares at an issue price of \$0.02 per share, including the \$250,000 already committed (see below);
2. **Shareholder Approvals:** the Company obtaining all necessary shareholder approvals, including approval pursuant to ASX Listing Rule 11.1.2 (ASX has determined this rule applies to the transaction);
3. **Regulatory Approvals:** the Company obtaining all necessary regulatory approvals;
4. **Minority vendors:** minority vendors executing binding sale agreements; and
5. **Other:** any such other conditions that are necessary in order for the matters contemplated by the Option Agreement to be properly completed.

## BOARD CHANGES

Subject to shareholder approval, Mr Paul Lloyd will be joining the Company as Managing Director and USA Lithium will have the ability to nominate one further director.

As part of the transaction and subject to shareholder approval, Hawkstone will issue two separate tranches of 30,000,000 unlisted options each (60,000,000 in total) over shares in the capital of Hawkstone (**Director/Executive Options**) to be split amongst Mr Paul Lloyd and Mr Greg Smith (or their nominees) on the following terms.

1. Tranche 1 - 30,000,000 Hawkstone unlisted options exercisable at \$0.04 per option and expiring 4 years from the date of issue; and
2. Tranche 2 - 30,000,000 Hawkstone unlisted options exercisable at \$0.05 per option and expiring 4 years from the date of issue.

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

Subject to shareholder approval, Hawkstone 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**):

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

## CAPITAL RAISING

As part of the Acquisition, Hawkstone has received commitments from sophisticated investors for 12,500,000 shares at an issue price of 2 cents per share, to raise \$250,000 towards costs to complete the Acquisition and general working capital.

Hawkstone will issue these shares under its existing placement capacity in accordance with Listing Rule 7.1 with settlement expected to be on or around 27 June 2018.

Subject to shareholder approval and as a condition of the Acquisition, the Company intends to complete a further placement to institutional 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 Capital Raising.

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

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

## INDICATIVE CAPITAL STRUCTURE

The indicative effect of the Acquisition Agreement and the Capital Raising on the capital structure of Hawkstone is anticipated to be as follows:

Particulars	Currently on Issue	Acquisition Agreement	Capital Raising	Proforma at Completion
Ordinary Shares	301,127,995	250,000,000	137,500,000 <sup>1</sup>	688,627,995
Options (unquoted)	6,000,000	94,500,000 <sup>2</sup>	-	100,500,000

<sup>1</sup> As part of this announcement, the Company has already received commitments to place 12,500,000 shares at an issue price of 2 cents per share to raise \$250,000.

<sup>2</sup> 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.

## INDICATIVE TIMETABLE

Action	Date
Announcement of Acquisition	26 June 2018
Despatch of Notice of Meeting	Early July 2018
Extraordinary General Meeting	Early August 2018
Consideration Shares and Placement Shares issued & Appendix 3B	Early August 2018

## KANGWANE PROJECT

The Company presently has a controlling interest in the Kangwane South anthracite project in South Africa, where the Company is presently undertaking a 6 hole drilling program. As at the date of this announcement (and as announced on 22 March 2018), the Company remains in early stage discussions for the divestment of Kangwane South, with potential purchasers presently undertaking due diligence on that project. Given the early stage of the discussions, investors are cautioned there is no guarantee the Company as to the timing of a potential transaction or that one will be concluded. In the event a sale is not concluded, the Company will continue with its previously disclosed exploration plans for Kangwane South.

For further information, please contact:

- Hawkstone - +61 8 6143 6705; or
- Paul Lloyd (Managing Director elect) - +61 419 945 395.

## COMPETENT PERSONS STATEMENT

The information in this announcement that relates to the Big Sandy Lithium Project and Lordsburg Lithium Project is based on and fairly represents information compiled by Mr Greg Smith, a Competent Person whom is a Member of the Australasian Institute of Mining and Metallurgy, and was first reported by the Company in its ASX announcement dated 22 March 2018. Mr Smith is a director and shareholder of USA Lithium Ltd and will receive Company securities as part of the Acquisition. Mr Smith has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Smith consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.