ASX ANNOUNCEMENT **3 August 2018**
ASX:HWK

BIG SANDY PRELIMINARY DRILLING UPDATE

HIGHLIGHTS

- **Initial diamond drill holes (DDH6 & 6A collared 1m to the north) confirm the presence of significant lacustrine clays**
- **Potential mineralised clay interval of approximately 40 metres**
- **Geology highlights the potential presence of stacked mineralisation zones within the Big Sandy Formation**
- **Combined thickness of the intersected clay zones is encouraging with further 14 diamond holes to be completed across the mapped 11km x 2km lithium bearing clay horizon**
- **Sampling and logging being completed with batch samples being prepared for dispatch to ALS for assaying**

Hawkstone Mining Limited (ASX:HWK) (**Hawkstone** or the **Company**) is pleased to announce the visual results of the first diamond drill hole (**DDH6**), completed by USA Lithium Limited (**USA Lithium**) at the Big Sandy Lithium Clay project (**Big Sandy**) located in Arizona, USA.

The approval for the acquisition of USA Lithium will be sought at a shareholder meeting to be held later today. If approved, completion is anticipated within the next fortnight. For full details of the acquisition, see the Company's ASX announcement dated 26 June 2018 and notice of meeting lodged with the ASX on 4 July 2018.

BIG SANDY LITHIUM CLAY PROJECT – MAIDEN DRILLING

Figure 1 - Big Sandy DDH6 – Interval 0 – 11.3m

As announced (ASX Announcement 25 July 2018) following Bureau of Land Management (**BLM**) approval, USA Lithium recently commenced its maiden drilling program at the Big Sandy Lithium Clay Project.

The focus of the initial 16 holes for ~1,600m of diamond drilling 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 (Figure 2).

Visual results from the initial diamond drill holes (DDH6 & DDH6A – refer Figure 2) has confirmed the presence of significant lacustrine clays returning a total **potential mineralised clay interval of approximately 40 metres**. The clay intercepts support the potential presence of stacked mineralised zones within the Big Sandy Formation. These clays have a conspicuous green hue in the oxidised, near surface environment, grading to grey and brown hues with depth. The core has been sampled and logged with batch samples being prepared for dispatch to ALS for assaying in the coming days.

Mr Greg Smith, the incoming Chief Technical Officer, who has been overseeing the drilling, commented,

> *"I am extremely pleased and encouraged with the maiden diamond drill hole at Big Sandy. We intersected wide zones of clays ranging from green in oxidised near surface material transitioning to grey-green and brown clays with depth. These were interspersed with narrow zones of calcrete/limestone.*
>
> *The geology in the hole supports our exploration approach of initial wide spaced drill holes to determine the stratigraphy and grade distribution by rock type enabling a targeted approach to the second phase of drilling."*

DDH6 was terminated at 87.48m in sand. DDH6A collared 1m north of DDH6 was terminated at 17.37m. DDH6A successfully recovered the near surface portion of the clay zone that had been the subject of low core recoveries in DDH6. The core has been sampled and logged with batch samples being prepared for dispatch to ALS for assaying in the coming days.

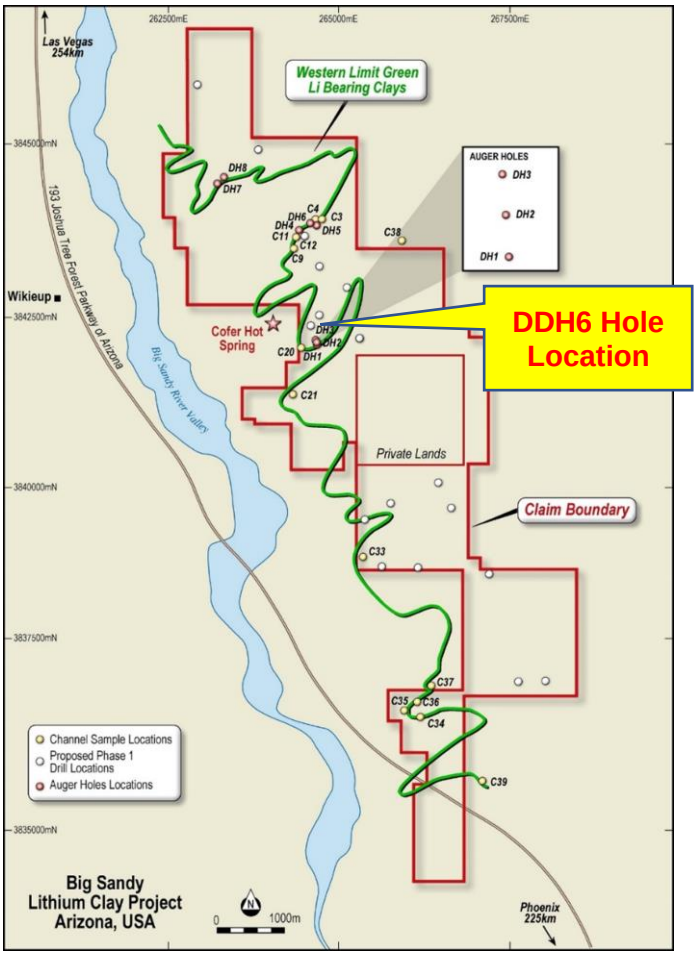

Figure 2 – Proposed and Completed Drill Locations

Figure 3 - Big Sandy DDH6 – Interval 11.3 – 14.3m

Figure 4 - Big Sandy DDH6 – Interval 14.3 – 17.4m

Figure 5 - Big Sandy DDH6 – Interval 57.0 – 60.1m

The combined visual logs of DDH6 and 6A are summarised below:

From (m)	To (m)	Interval (m)	Visual Nature
0.0	8.2	8.2	Colluvium
8.2	**23.6**	**15.4**	**Clay**
23.6	27.0	3.4	Limestone
27.0	**46.3**	**19.3**	**Clay**
46.3	55.5	9.2	Intercalated Limestone + Clay
55.5	**61.1**	**5.6**	**Clay**
61.1	62.2	1.1	Limestone
62.2	81.4	19.2	Carbonate altered Sandstone
81.4	87.5	6.1	Minor Tuff and Sand

Table 1 – Combined Visual Geological Log from DDH6 and 6A

DDH6 and 6A is in close proximity to the previous auger holes - DH1 to DH3 (refer ASX announcement 22 March 2018), which returned assays of **2,983, 3,370** and **3,150 ppm lithium** respectively. These 3 auger holes are spaced at approximately 35m intervals from south to north testing the same "green clay" horizon (Figure 2).

Sample Site	Approximate Location	Sample Numbers	Average Grade Li ppm	Comments
DH1	264555E 3841968N	BS17542 - BS17544	**2,983**	Samples top, mid and 1m depth.
DH2	264552E 3842005N	BS17545 - 17546	**3,370**	Samples top and 0.4m depth
DH3	264549E 3842041N	BS17547 - 17549	**3,150**	Samples top, mid and 0.75m depth

Table 2 – Summary of Auger Sampling

Separately USA Lithium also progressed a second hole (**DDH5**). This was the first hole of the campaign and the hole suffered from poor core recovery in the surficial colluvium and calcrete prior to encountering basalt at 35.5 metres. Mapping has demonstrated the basalt to be part of a younger cap rock flow that terminates approximately 75 metres west of the hole. The thickness of the flow is unknown.

Hole_ID	UTM_East	UTM_North	RL m	Depth m
DDH1	262905	3845834	660	100
DDH2	263772	3844848	648	100
DDH3	264421	3843566	661	100
DDH4	264643	3843106	662	100
DDH5	**265004**	**3842783**	**637**	**41.76**
DDH6	**264508**	**3842247**	**615**	**87.84**
DDH6A	**264508**	**3842248**	**615**	**17.37**
DDH7	264618	3842396	619	100
DDH8	265202	3842041	645	100
DDH9	266297	3839895	662	100
DDH10	265606	3839609	640	100
DDH11	265201	3839374	628	100
DDH12	266502	3839514	636	100
DDH13	267014	3838538	600	100
DDH14	267791	3836943	625	100
DDH16	265975	3838653	596	100
DDH17	265442	3838662	589	100

Note: All holes are located in UTM84 - 12S
All Holes are drilled vertical
Proposed Depth, Completed Depth

Table 3 – Actual and Planned Drill Hole Locations

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 report that relates to exploration results at the Big Sandy 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. 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.

JORC Code, 2012 Edition – Table 1 - Big Sandy Lithium Clay Project

Section 1 - Sampling Techniques and Data (Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code Explanation	Commentary
Sampling techniques	Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling.	This announcement refers to an ongoing diamond drill programme. Previous announcements detail this portion of the JORC table and the exploration leading up to the diamond drill programme.
	Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.	As above
	Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases, more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.	As Above
Drilling techniques	Drill type (e.g. core, reverse circulation, open hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face sampling bit or other type, whether core is oriented and if so, by what method, etc.).	The core drilling discussed in this announcement preceding this table was completed using a Longyear 44 diamond drill. The core is recovered in a standard core barrel of BQ size measuring 36.5mm in diameter.
Drill sample recovery	Method of recording and assessing core and chip sample recoveries and results assessed.	Core recovery is measured by comparing the actual length of core in situ between the depth blocks and the depth as shown on the depth blocks.
	Measures taken to maximise sample recovery and ensure representative nature of the samples.	The drillers are maximising core recovery in the clay by using a carbide tipped bit, slow rotation and slow feed.

Criteria	JORC Code Explanation	Commentary
	Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.	No samples have yet been sent to the laboratory.
Logging	Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.	All core is measured, logged and sampled to support future resource estimation.
	Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography	Both, as recoveries are first logged followed by geological logging. All core is photographed both wet and dry.
	The total length and percentage of the relevant intersections logged.	The first step is the measuring of the core between the drill blocks to establish the recovery.
Sub-sampling techniques and sample preparation	If core, whether cut or sawn and whether quarter, half or all core taken.	Where possible the clay material is cut with a paint scraper. When too hard for this method a core saw is used. Half core is taken for analysis unless it is a duplicate sample where ¼ core is used.
	If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry.	Not applicable.
	For all sample types, the nature, quality and appropriateness of the sample preparation technique.	½ core taken throughout.
	Quality control procedures adopted for all subsampling stages to maximise representivity of samples.	Duplicated sample consists of quartering of the half core.
	Measures taken to ensure that the sampling is representative of the in-situ material collected, including for instance results for field duplicate/second-half sampling.	½ core sample taken for analysis.
	Whether sample sizes are appropriate to the grain size of the material being sampled.	The majority is very fine clay sized material and sample size is appropriate for material sampled.
Quality of assay data and laboratory tests	The nature, quality and appropriateness of the Assaying and laboratory procedures used and whether the technique is considered partial or total.	A *near total* process, a 4 acid digest is used to remove the lithium from the clay prior to analysis. Method ME-MS61 will be used for all samples.
	For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable	These geophysical instruments are not used in assessing the mineralization within the project. Standards, duplicates and blanks are inserted in the sample stream in a 1 in 10 basis.

Criteria	JORC Code Explanation	Commentary
	levels of accuracy (i.e. lack of bias) and precision have been established.	
Verification of sampling and assaying	The verification of significant intersections by either independent or alternative company personnel.	All exploration work is being completed by both internal and external, independent consultants.
	The use of twinned holes.	No twin holes have been drilled.
	Documentation of primary data, data entry procedures, data	All drill data are currently being inputted into excel spreadsheets. The data from the exploration are currently stored in hardcopy and digital format in the Company's office.
	verification, data storage (physical and electronic) protocols.	A hard drive copy of this is stored with G Smith.
	Discuss any adjustment to assay data.	No assay data has been received.
Location of data points	Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.	All data points and auger drill holes have been set out utilizing hand held GPS units, having an accuracy of ± 3m in open ground.
	Specification of the grid system used.	UTM 84 Zone 12S
	Quality and adequacy of topographic control.	No survey has been undertaken. Hand held GPS coordinates have been utilized to locate drill collars.
Data spacing and distribution	Data spacing for reporting of Exploration Results.	Not Applicable.
	Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.	The present drill programme will not be of a spacing that will enable it to be used in the calculation of Mineral Resources.
	Whether sample compositing has been applied.	No compositing will be done.
Orientation of data in relation to geological structure	Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.	The diamond drill holes are vertical testing a flat lying basin fill sedimentary sequence.
	If the relationship between the drilling orientation and the orientation of key mineralised structures are considered to have introduced a sampling bias, this should be assessed and reported if material.	No sampling bias as the vertical diamond drill holes are being drilled into in a flat lying clay horizon.
Sample security	The measures taken to ensure sample security.	All samples and core are kept in a locked trailer on site until their dispatch to the ALS sample preparation facility in Tucson, Arizona.
Audits or reviews	The results of any audits or reviews of sampling techniques and data.	No reviews completed.

Section 2 Reporting of Exploration Results (Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code Explanation	Commentary
Mineral tenement and land tenure status	Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.	The project consists of 258 mining claims of approximately 20 acres each, physically staked on Bureau of Land Management (BLM), Federally administered land and listed on the BLM MASS serial register. All indigenous title is cleared and there are no other known historical or environmentally sensitive areas.
	The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.	The claims have been granted and are subject to an annual payment. Other than the payment there is no requirement for minimum exploration or reporting. There is no expiry date on the claims.
Exploration done by other parties	Acknowledgment and appraisal of exploration by other parties.	There has been no exploration for lithium mineralisation on this project.
Drill hole Information	A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: • easting and northing of the drill hole collar • elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar • dip and azimuth of the hole • down hole length and interception depth • hole length.	All of this information is being recorded by the geologist onsite and is logged into excel spreadsheets.
	If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.	This information has not been excluded.
Data aggregation methods	In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated.	No samples have yet been dispatched and no results are available.
	Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.	No samples have yet been dispatched and no results are available.
	The assumptions used for any reporting of metal equivalent values should be clearly stated.	No metal equivalent values are stated.

Criteria	JORC Code Explanation	Commentary
Relationship between mineralization widths and intercept lengths	These relationships are particularly important in the reporting of Exploration Results. If the geometry of the mineralization with respect to the drill hole angle is known, its nature should be reported.	No samples have yet been dispatched and no results are available.
	If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').	No samples have yet been dispatched and no results are available.
Diagrams	Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.	No samples have yet been dispatched and no results are available.
Balanced reporting	Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.	No samples have yet been dispatched and no results are available.
Other substantive exploration data	Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.	A geological log of holes completed to date is provided.
Further work	The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).	Regional diamond drill testing is ongoing.
	Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.	The diagrams in the attached release show the planned diamond drill programme.