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Hawkstone Mining Limited
ABN 15 008 720 223
Interim Financial Report
for the half-year ended 31 December 2019



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Corporate directory

Directors

Mr Barnaby Egerton-Warburton
Non-Executive Chairman

Mr Paul Lloyd
Managing Director

Mr Shaun Hardcastle
Non-Executive Director

Mr Greg Smith
Non-Executive Director

Company Secretary

Ms Oonagh Malone

Registered Office

Ground Floor, 24 Outram Street
West Perth WA 6005

Share register

Automic Registry Services
Level 5, 126 Phillip Street
Sydney, NSW, 2000
Tel: (02) 9698 5414

Auditor

HLB Mann Judd (WA Partnership)
Level 4
130 Stirling Street
Perth WA 6000

Securities exchange listing

Australian Securities Exchange
Level 40, Central Park
152 – 158 St Georges Terrace
Perth Western Australia 6000
Code: HWK

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Directors' report

The Directors present their interim financial report, together with the consolidated financial statements of Hawkstone Mining Limited and its controlled entities (the "Company", "Consolidated Entity" or the "Group"), for the half-year ended 31 December 2019.

1. DIRECTORS

The following directors held office during and since the end of the half-year, unless otherwise stated:

- Mr Barnaby Egerton-Warburton
- Mr Paul Lloyd
- Mr Shaun Hardcastle
- Ms Oonagh Malone, who resigned as a Non-Executive Director on 9 March 2020.
- Mr Greg Smith, who was appointed as a Non-Executive Director on 9 March 2020

2. COMPANY SECRETARY

The Company Secretary is Ms Oonagh Malone, who was appointed on 23 February 2015.

3. PRINCIPAL ACTIVITIES & REVIEW OF OPERATIONS

During the half-year, Hawkstone Mining continued exploration and development of its lithium projects in the USA while it evaluated potential acquisitions of additional projects and continued discussions for potential sale of the Kangwane South Anthracite Project in South Africa.

4. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Subsequent to the end of the half-year, the Company:

- Completed the acquisition of the Lone Pine Gold Project for \$US250,000 in cash and the issue of 66,974,252 ordinary shares with a deemed value of \$US260,000.
- Issued 12,000,000 unquoted share options to corporate advisors and consultants to the Company with an exercise price of \$0.06 and an expiry date of 30 December 2021 as described in note 10.
- Issued 6,000,000 unquoted share options to corporate advisors and consultants to the Company with an exercise price of \$0.07 and an expiry date of 30 December 2021 as described in note 10.
- Issued 136,665,319 ordinary shares at a share price of \$0.006 each to raise \$819,992 before costs.
- Appointed Mr Greg Smith as a Non-Executive Director.
- Accepted the resignation of Ms Oonagh Malone as a Non-Executive Director.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 4 for the half-year ended 31 December 2019.

This report is signed in accordance with a resolution of the Board of Directors.

On behalf of the Board of Directors,



Mr Barnaby Egerton-Warburton
Non-Executive Chairman

Dated this 12th day of March 2020

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Hawkstone Mining Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
12 March 2020



L Di Giallonardo
Partner

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Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2019

	Note	31 December 2019 \$	31 December 2018 \$
Revenue	2	2,818	5,194
Exploration and evaluation expenditure expensed on acquisition of subsidiary	15	-	(7,539,885)
Share based payments expense	10	(5,218)	(1,976,310)
Corporate and regulatory expenses		(67,212)	(167,837)
Directors' fees		(172,973)	(113,549)
Exploration and evaluation expensed		(1,166,485)	(421,939)
Finance costs		(8,297)	(5,041)
Reversal of impairment of financial asset	5	388	-
Administrative expenses	3	(315,424)	(203,303)
Loss before income tax expense		(1,732,403)	(10,422,670)
Income tax expense		-	-
Loss after income tax from continuing operations attributable to members of Hawkstone Mining Limited		(1,732,403)	(10,422,670)
Operations of disposal group (discontinued operation)			
Exploration and evaluation expensed	13	(1,181)	(35,217)
Loss from disposal group		(1,181)	(35,217)
Loss attributable to members of Hawkstone Mining Limited		(1,733,584)	(10,457,887)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange difference on translation of foreign controlled entities, net of tax		2,976	(966)
Total comprehensive loss for the period		(1,730,608)	(10,458,853)
Loss per share attributable to the ordinary equity holders of the company			
Basic loss per share in cents	4	(0.23)	(2.20)
Diluted loss per share in cents	4	(0.23)	(2.20)
Loss per share from continuing operations attributable to the ordinary equity holders of the company			
Basic loss per share in cents	4	(0.23)	(2.20)
Diluted loss per share in cents	4	(0.23)	(2.20)

The accompanying notes form part of these financial statements.

Condensed consolidated statement of financial position as at 31 December 2019

	Notes	31 December 2019 \$	30 June 2019 \$
CURRENT ASSETS			
Cash and cash equivalents		360,381	2,024,216
Trade and other receivables		21,464	33,310
Prepayments		31,599	11,681
TOTAL CURRENT ASSETS		413,444	2,069,207
NON-CURRENT ASSETS			
Other financial assets	5	384,652	383,764
TOTAL NON-CURRENT ASSETS		384,652	383,764
TOTAL ASSETS		798,096	2,452,971
CURRENT LIABILITIES			
Trade and other payables		252,952	164,134
Provisions		6,090	8,617
TOTAL CURRENT LIABILITIES		259,042	172,751
TOTAL LIABILITIES		259,042	172,751
NET ASSETS		539,054	2,280,220
EQUITY			
Contributed equity	6	70,499,193	70,625,549
Reserves		4,130,254	4,011,480
Accumulated losses		(74,090,393)	(72,356,809)
TOTAL EQUITY		539,054	2,280,220

The accompanying notes form part of these financial statements.

Condensed consolidated statement of changes in equity for the half-year ended 31 December 2019

	Issued shares	Unissued shares	Share based payment reserve	Foreign translation reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$	\$
At 1 July 2019	67,000,549	3,625,000	6,213,662	(2,202,182)	(72,356,809)	2,280,220
Comprehensive Income						
Loss for period	-	-	-	-	(1,733,584)	(1,733,584)
Other comprehensive income for the period, net of tax	-	-	-	2,976	-	2,976
Total comprehensive loss for the period	-	-	-	2,976	(1,733,584)	(1,730,608)
Transactions with owners, in their capacity as owners, and other transfers						
Shares issued during the period	3,625,000	(3,625,000)	-	-	-	-
Share issue costs	(126,356)	-	-	-	-	(126,356)
Share based payments	-	-	115,798	-	-	115,798
At 31 December 2019	70,499,193	-	6,329,460	(2,199,206)	(74,090,393)	539,054

The accompanying notes form part of these financial statements.

Condensed consolidated statement of changes in equity for the half-year ended 31 December 2019

	Issued shares	Unissued shares	Share based payment reserve	Foreign translation reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$	\$
At 1 July 2018	58,683,709	-	4,094,770	(2,210,379)	(59,735,746)	832,354
Comprehensive Income						
Loss for period	-	-	-	-	(10,457,887)	(10,457,887)
Other comprehensive income for the period, net of tax	-	-	-	(966)	-	(966)
Total comprehensive loss for the period	-	-	-	(966)	(10,457,887)	(10,458,853)
Transactions with owners, in their capacity as owners, and other transfers						
Shares issued during the period	6,228,800	-	-	-	-	6,228,800
Contingent consideration shares	-	3,625,000	-	-	-	3,625,000
Share issue costs	(174,663)	-	-	-	-	(174,663)
Share based payments	-	-	1,979,310	-	-	1,979,310
At 31 December 2018	64,737,846	3,625,000	6,074,080	(2,211,345)	(70,193,633)	2,031,948

The accompanying notes form part of these financial statements.

Condensed consolidated statement of cash flows for the half-year ended 31 December 2019

	31 December 2019 \$	31 December 2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(1,650,905)	(1,008,773)
Interest received	2,818	5,194
Net cash used in operating activities	(1,648,087)	(1,003,579)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments to and on behalf of acquired entities after shareholder approval and before completion	-	(332,695)
Cash acquired on acquisition of subsidiaries	-	22,068
Bond refunded	-	20,880
Net cash used in investing activities	-	(289,747)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of share issues	-	2,480,000
Proceeds of option issues	-	3,000
Cost of share issues	(15,775)	(70,863)
Proceeds from borrowings	-	100,000
Repayment of borrowings	-	(120,000)
Net cash (used in)/ provided by financing activities	(15,775)	2,392,137
Net (decrease)/ increase in cash and cash equivalents	(1,663,862)	1,098,811
Cash and cash equivalents at the beginning of the period	2,024,216	394,325
Effects of exchange rate changes on cash and cash equivalents	27	450
Cash and cash equivalents at the end of the period	360,381	1,493,586

The accompanying notes form part of these financial statements.

Notes to the financial statements

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The interim financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting", Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards.

The interim financial report covers Hawkstone Mining Limited ("the Company") and controlled entities ("the Group"). The Company is limited by shares, incorporated and domiciled in Australia.

The interim financial report has been prepared on an accruals basis and is based on historical cost modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. All amounts are presented in Australian Dollars. The interim financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the normal course of business.

The interim report does not include full disclosures of the type normally included in an annual financial report.

The interim financial report, including comparatives, should be read in conjunction with the annual Financial Report of Hawkstone Mining Limited for the year ended 30 June 2019 and any public announcements made by the Company during the half year in accordance with the continuous disclosure obligations arising under the Australian Securities Exchange Listing Rules and Corporations Act 2001.

Going Concern

The Group has incurred a loss of \$1,733,584 (2018: \$10,457,887) and experienced net cash outflows from operating activities of \$1,648,087 (2018: \$1,003,579) during the half-year ended 31 December 2019. As at 31 December 2019, the Group had cash and cash equivalents of \$360,381 (30 June 2019: \$2,024,216) and net assets of \$539,054 (30 June 2019: \$2,280,220).

The Directors believe that it is appropriate to prepare the financial information on a going concern basis for the following reasons:

The Board recognises that additional funding is required to ensure that the Group can continue to fund its operations and further develop its mineral exploration and evaluation assets for a period of at least twelve months from the date of signing this financial report.

Such additional funding is potentially available from a number of sources including further capital raisings, sale of projects and managing cash flow in line with available funds. The Group's operations require the raising of capital on an on-going basis to fund its planned exploration program and to commercialise its projects. Since the end of the half-year the Company has issued 136,665,319 ordinary shares at a share price of \$0.006 each to raise \$819,992 (before costs) as tranche 1 of a \$1 million (before costs) capital raising. Tranche 2 of the capital raising is subject to shareholder approval.

Notes to the financial statements

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Directors believe the Group will obtain sufficient funding from various funding opportunities to enable it to continue as a going concern and therefore that it is appropriate to prepare the financial statements on a going concern basis. Should this funding not be obtained, there exists a material uncertainty that may cast significant doubt on whether the Group will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

Significant Accounting Policies

Other than as discussed below, the significant accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's annual financial report for the financial year ended 30 June 2019 and have been consistently applied by the entities in the Group. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

New and Amended Accounting policies adopted by the Group

The Group has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these new and revised Accounting Standards and Interpretations has not resulted in a significant or material change to the Group's accounting policies.

The adoption of AASB 16 Leases, which applies to the year commencing on 1 July 2019, has not affected any balances of the Group because the Group has no leases that require recognition and measurement under this standard. The Group's serviced office agreement does not identify any specific offices to be occupied by the Group. Future effects of the implementation of this standard will mostly depend on the wording and effect of relevant contracts.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted by the Group.

2 REVENUE FROM ORDINARY ACTIVITIES

	31 December 2019 \$	31 December 2018 \$
Other revenue:		
<i>From operating activities</i>		
Interest received	2,818	5,194
Total revenue from ordinary activities	2,818	5,194

Notes to the financial statements

3 EXPENSES FROM ORDINARY ACTIVITIES

Individually significant items included in administration expenses due to their size or nature includes:

	31 December 2019 \$	31 December 2018 \$
Auditor's remuneration	(11,613)	(12,689)
Share registry fees	(5,803)	(5,397)
Other	(298,008)	(185,217)
Total	(315,424)	(203,303)

4 LOSS PER SHARE

	31 December 2019 \$	31 December 2018 \$
Weighted average number of ordinary shares used in the calculation of basic/diluted loss per share	746,703,865	474,621,745
Basic/diluted loss	(1,733,584)	(10,457,887)
Basic/diluted loss per share (cents)	(0.23)	(2.20)
Basic/diluted loss from continuing operations	(1,732,403)	(10,422,670)
Basic/diluted loss per share from continuing operations (cents)	(0.23)	(2.20)

The diluted loss per share is equal to the basic loss per share because there were no dilutive potential ordinary shares. Shares to be issued at period end are not included in the calculations as all conditions required for their issue were not satisfied before the end of the period. The contingent consideration shares are not included in the weighted average number of ordinary shares because all necessary conditions for their issue have not been satisfied.

5 OTHER FINANCIAL ASSETS

	31 December 2019 \$	30 June 2019 \$
NON CURRENT		
Mining Rehabilitation Bond (Kangwane South Anthracite Project)	364,652	363,764
Other financial asset	20,000	20,000
Total	384,652	383,764

In 2017, the Company paid a mining rehabilitation bond of \$570,933 (ZAR 5,574,974) to secure access to the Kangwane South Project. This has been revalued to \$566,229 at 31 December 2019 (30 June 2019: \$565,729) due to movements in the AUD:ZAR exchange rate, before a \$201,577 (30 June 2019: \$201,965) loss allowance is recognised against this asset based on the Directors' estimate of losses following consideration of unbiased probability-weighted amounts that are determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The reduction in the impairment provision in the half year of \$388 has been recognised in profit or loss.

Notes to the financial statements

6 CONTRIBUTED EQUITY

Contributed equity consisted of the following:

	31 December 2019 \$	30 June 2019 \$
Issued shares	70,499,193	67,000,549
Deferred consideration shares	-	3,625,000
Total	70,499,193	70,625,549

	Number of shares 31/12/19	Number of shares 30/06/19	Half-year to 31/12/19 \$	Year to 30/06/19 \$
Opening balance - (fully paid ordinary shares)	690,317,995	315,127,995	70,625,549	58,683,709
125,000,000 deferred consideration shares relating to the acquisition of USA Lithium Limited valued at \$0.029 each *	-	-	-	3,625,000
125,000,000 shares issued as purchase consideration for USA Lithium Limited valued at \$0.029 each	-	125,000,000	-	3,625,000
Placement of 125,000,000 shares at an issue price of \$0.02 each	-	125,000,000	-	2,500,000
Shares issued to corporate adviser in payment of capital raising costs valued at \$0.02 each	-	5,190,000	-	103,800
Issue of 15,000,000 4 year 4c options and 15,000,000 4 year 5c options for a total of \$3,000	-	-	-	3,000
Placement of 120,000,000 shares at an issue price of \$0.02 each	-	120,000,000	-	2,400,000
Conversion of deferred consideration shares *	125,000,000	-	-	-
Transaction cost of share issues	-	-	(126,356)	(314,960)
Closing balance	815,317,995	690,317,995	70,499,193	70,625,549

* Deferred consideration represented 50% of the consideration payable on acquisition of the Big Sandy Lithium Project, being 125,000,000 fully paid shares for the total value of \$3,625,000. This has been recorded at 30 June 2019 as the Directors believed that it was likely that the milestone related to the issue of these shares would be met.

Notes to the financial statements

7 SEGMENT INFORMATION

During the half year, the Group's operations consisted of exploration for lithium in USA, and corporate functions and South African exploration interests that were managed from Australia.

The Board is the chief operating decision maker. All amounts reported to the Board are determined in accordance with accounting policies that are consistent with financial reporting requirements. Intra-group loans are valued in Australian dollars with no interest charged. There are no intragroup eliminations because assets used across the Group and all trade payables are allocated to the Australian segment, with all assets, liabilities and transactions controlled from Australia.

(i) Segment performance

	Australia		United States		Consolidated	
	Half-year ended 31 December		Half-year ended 31 December		Half-year ended 31 December	
	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$
Interest revenue	2,818	5,194	-	-	2,818	5,194
Total revenue	2,818	5,194	-	-	2,818	5,194
Segment result:						
Loss after income tax	(585,901)	(2,445,080)	(1,147,683)	(8,012,807)	(1,733,584)	(10,457,887)

(ii) Segment financial position

	Australia		United States		Consolidated	
	As at 31 Dec 2019	As at 30 June 2019	As at 31 Dec 2019	As at 30 June 2019	As at 31 Dec 2019	As at 30 June 2019
	\$	\$	\$	\$	\$	\$
Segment assets	770,134	2,425,037	27,962	27,934	798,096	2,452,971
Segment liabilities	(257,856)	(160,221)	(1,186)	(12,530)	(259,042)	(172,751)
Segment net assets	512,278	2,264,816	26,776	15,404	539,054	2,280,220

Notes to the financial statements

8 FINANCIAL INSTRUMENTS

Fair Values

The fair value of financial assets and financial liabilities approximate their carrying amounts.

9 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Subsequent to the end of the half-year, the Company:

- Completed the acquisition of the Lone Pine Gold Project for \$US250,000 in cash and the issue of 66,974,252 ordinary shares with a deemed value of \$US260,000.
- Issued 12,000,000 unquoted share options to corporate advisors and consultants to the Company with an exercise price of \$0.06 and an expiry date of 30 December 2021 as described in note 10.
- Issued 6,000,000 unquoted share options to corporate advisors and consultants to the Company with an exercise price of \$0.07 and an expiry date of 30 December 2021 as described in note 10.
- Issued 136,665,319 ordinary shares at a share price of \$0.006 each to raise \$819,992 before costs.
- Appointed Mr Greg Smith as a Non-Executive Director.
- Accepted the resignation of Ms Oonagh Malone as a Non-Executive Director.

10 SHARE BASED PAYMENTS

The following share based payment transactions occurred or were recognised during the half year:

- 1,000,000 \$0.06 share options expiring 30/12/2021 were recognised in the prior year. These options were agreed to be issued to an advisor, subject to shareholder approval which was received during the half year. These options were issued in February 2020.
- 5,000,000 \$0.06 share options expiring 30/12/2021 were agreed to be issued to an advisor in the prior year, subject to performance conditions which were met during the half year. These options were issued in February 2020. These options were valued at \$30,300. \$25,082 was expensed over the vesting period for these options during the prior year, and \$5,218 was expensed for the options during the half year.
- 6,000,000 \$0.06 Corporate advisor options expiring 30/12/2021 with a total value of \$57,600 were recognised during the half year as a capital raising cost and issued in February 2020. These were valued based on a measurement date of 29 May 2019 because they related most strongly to a capital raising that was finalised on that date.
- 6,000,000 \$0.07 Corporate advisor options expiring 30/12/2021 with a total value of \$52,980 were recognised during the half year as a capital raising cost and issued in February 2020. These were valued based on a measurement date of 29 May 2019 because they related most strongly to a capital raising that was finalised on that date.

No options were issued to directors or other related parties during the half year.

All share options issued during the half year vested immediately. The total amount of \$5,218 (2018: \$1,976,310) is recognised as a share based payment expense and \$110,580 (2018: nil) is recognised as a capital raising cost.

Notes to the financial statements

10 SHARE BASED PAYMENTS (CONTINUED)

Fair values of share options issued are determined using the Black-Scholes model based on information available as at the measurement date, considering the exercise price, term of option, the share price at grant date, expected price volatility of the underlying share, expected yield and the risk-free interest rate for the term of the option. Parameters for all share options issued during the period were:

Measurement date	1/02/2019	29/05/2019	29/05/2019
Issue date	10/02/2020	10/02/2020	10/02/2020
Expiry date	30/12/2021	30/12/2021	30/12/2021
Dividend yield	-	-	-
Expected volatility	95%	102%	102%
Risk-free interest rate	1.74%	1.10%	1.10%
Expected life of options (years)	2.91	2.59	2.59
Underlying share price	\$0.018	\$0.024	\$0.024
Option exercise price	\$0.060	\$0.060	\$0.070
Value of option	\$0.00606	\$0.00960	\$0.00883
Number of options issued	5,000,000	6,000,000	6,000,000
Value of options	\$30,300	\$57,600	\$52,980
Amount expensed during prior year	\$25,082	-	-
Amount expensed during half year	\$5,218	-	-
Capital raising cost recognised during half year	-	\$57,600	\$52,980

11 RELATED PARTY TRANSACTIONS AND BALANCES

Mr Hardcastle is a related party of Bellanhouse. Bellanhouse was paid legal fees of \$13,007 for the half-year (half-year ended 31 December 2018: \$60,000). Mr Lloyd is a related party of Coral Brook Pty Ltd. Coral Brook Pty Ltd was reimbursed administration fees of \$6,300 for the half-year (half-year ended 31 December 2018: \$1,610).

Mr Lloyd received 13,341,346 Deferred Consideration Shares during the prior year which converted into 13,341,346 ordinary shares during the half year. There were no other transactions with KMP.

12 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As a condition for the execution of the Kangwane South mining right, an environmental bond of ZAR5,574,974 (\$364,652 at 31 December 2019 after loss allowance of \$201,577) was required by the South African Department of Mineral Resources prior to the commencement of mining activities on the tenement. This was paid on 17 February 2017 and is disclosed in note 5. However, no related liability is included in the Consolidated Statement of Financial Position. Following the cessation of active exploration activity on the project by the Group and the intended disposal, this contingent liability has been replaced by the loss allowance.

Notes to the financial statements

13 DISPOSAL GROUP (DISCONTINUED OPERATION)

The Group is actively seeking to dispose of the Kangwane South Project and seeking a buyer. This is recognised as assets classified as held for sale, as it would involve disposal of subsidiaries with legal structures that meet the recognition criteria for assets, despite being measured at nil value. This also meets the definitions of a discontinued operation and a disposal group.

The following exploration expenditure for the Kangwane South Project has been attributed to this disposal group.

	31 December 2019 \$	31 December 2018 \$
Operations of disposal group		
Exploration and evaluation	(1,181)	(35,217)
Loss from disposal group	(1,181)	(35,217)

Although the mining rehabilitation bond of \$364,652 disclosed in note 5 is for the Kangwane South project, this has not been reclassified as relating to a disposal group both because this bond may be treated in a manner outside the scope of the definition of a disposal group, and because impairment considerations for this bond under AASB 9 Financial Instruments are clearer if this bond is disclosed separately. The bond has not been included as relating to the disposal group because it may be recovered in a separate transaction. There are no other assets or liabilities related to this asset that would form part of a disposal group because all administration functions are performed directly by the parent entity and no South African entity in the Group operates bank accounts or processes accounts payable.

A foreign currency translation reserve balance of \$2,210,379 relates to this disposal group (30 June 2019: \$2,210,379), but may only be reclassified to profit or loss on actual disposal.

14 CONTROLLED ENTITIES

There have been no changes in controlled entities, their countries of operation or their functional currencies during the half year.

Notes to the financial statements

15 ACQUISITION OF USA LITHIUM PROJECTS

During 2018 the Company agreed terms to acquire USA Lithium Limited (USA Lithium) which owns 100% interests in the Big Sandy Lithium Clay project (Big Sandy) and the Lordsburg Lithium Brine project (Lordsburg). Following shareholder approval on 3 August 2018, the acquisition was completed on 7 September 2018.

The terms of the transaction included:

- An option fee for due diligence on USA Lithium of \$250,000 paid in 2018 with the issue of 12,500,000 shares at a deemed value of \$250,000. This amount was expensed during 2018.
- 125,000,000 Initial Consideration Shares in the Company. These shares have been valued at the Completion date at \$0.029 each for a total value of \$3,625,000 as disclosed in note 6.
- 125,000,000 Deferred Consideration Shares. These are ordinary shares in the Company that will only be issued on declaration by the Company of an inferred resource at the Big Sandy project of not less than 30Mt at a grade greater than 2,000ppm (or equivalent) within 36 months from Completion (occurred on 7 September 2018) along with ASX approval for this acquisition. These deferred consideration shares were valued at the Completion date at \$0.029 each for a total value of \$3,625,000, as disclosed in note 6. This was based on the estimated likelihood, as at Completion, that these deferred consideration shares would be issued.
- Transfer of \$250,000 to USA Lithium within 2 business days of shareholder approval. A total of \$332,695 was actually advanced from the Company to USA Lithium Limited and its subsidiaries between shareholder approval on 3 August 2018 and Completion.

Details of the purchase consideration and the net assets acquired are as follows:

	7 September 2018 \$
PURCHASE CONSIDERATION PAID BY THE COMPANY	
125,000,000 Initial Consideration Shares	3,625,000
125,000,000 Deferred Consideration Shares	3,625,000
Payments to and on behalf of acquired entities between shareholder approval and Completion	332,695
Total purchase consideration	7,582,695
FAIR VALUE OF ASSETS AND LIABILITIES RECOGNISED AS A RESULT OF THE ACQUISITION	
Cash acquired	22,068
Other debtors acquired	21,476
Creditors acquired	(734)
Net assets acquired at fair value	42,810
Excess of purchase consideration over net assets acquired – allocated to Mineral Exploration and Evaluation Expenditure *	7,539,885

* In accordance with the Group's accounting policy, all exploration and evaluation expenditure incurred as well as acquisition costs, are expensed. As a result, this excess allocated to Mineral Exploration and Evaluation Expenditure has been expensed in the current period.

Directors' declaration

In accordance with a resolution of the Directors of Hawkstone Mining Limited, we state that:

- 1) In the opinion of the Directors:
 - a) the financial statements and supplementary notes, set out on pages 5 to 18, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the Group as at 31 December 2019 and of its performance, as represented by the results of its operations and its cash flows, for the period ended on that date; and
 - (ii) complying with Accounting Standards AASB 134: *Interim Financial Reporting and the Corporations Regulations 2001*; and
 - b) there are reasonable grounds to believe that Hawkstone Mining Limited will be able to pay its debts as and when they become due and payable.
- 2) The Directors have been given the declarations required by section s.303(5) of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors:



Mr Barnaby Egerton-Warburton
Non-Executive Chairman
Dated this 12th day of March 2020

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Hawkstone Mining Limited

Report on the Condensed Interim Financial Report

Conclusion

We have reviewed the accompanying interim financial report of Hawkstone Mining Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Hawkstone Mining Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter - material uncertainty related to going concern

We draw attention to Note 1 in the interim financial report, which indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the interim ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

**HLB Mann Judd
Chartered Accountants**

**Perth, Western Australia
12 March 2020**

L Di Giallonardo

**L Di Giallonardo
Partner**

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