



ASX ANNOUNCEMENT
ASX:HWK

7 September 2018

HAWKSTONE RECEIVES RESULTS FOR KANGWANE SOUTH PHASE 2 DRILL PROGRAM

HIGHLIGHTS

- Assay results for 4 borehole Phase 2 drill program now received
- Results confirm low sulphur, low phosphorus and a medium ash anthracite
- Average seam widths intersected in the three main mining seams identified as:
 - 2.38 meters (3 Seam).
 - 1.90 meters (5+6 Seam)
 - 1.24 meters (7 Seam)
- Impact splitting tests conducted on a number of roof and floor cores to assist prediction of mining conditions

Hawkstone Mining Limited (**Hawkstone**, the **Company**) is pleased to announce that it has now received all 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.

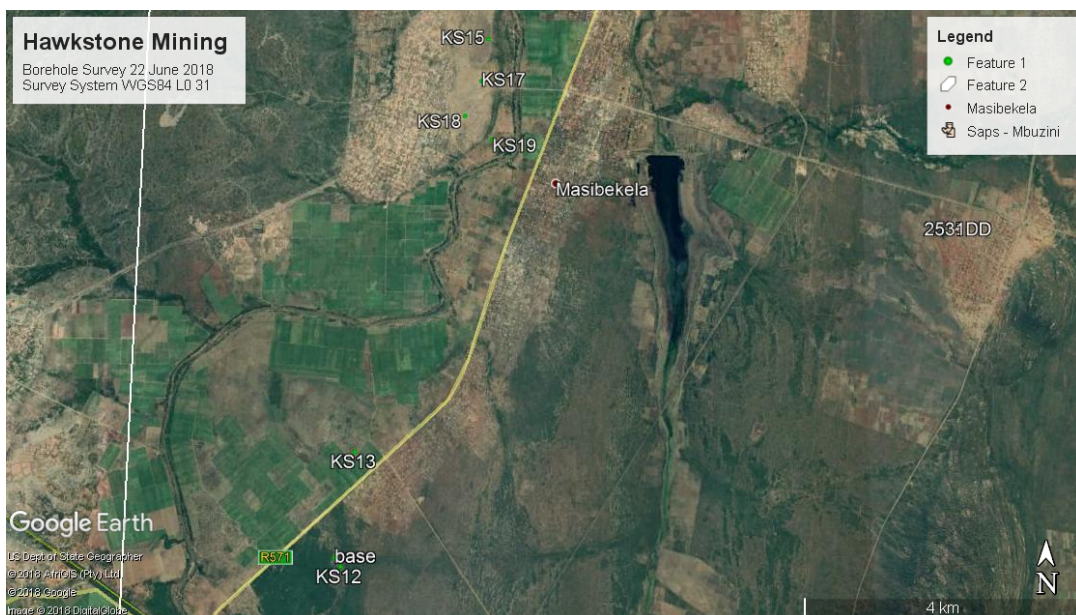


Figure 1. Location of all 6 boreholes undertaken in the Phase 1 & Phase 2 drill programs

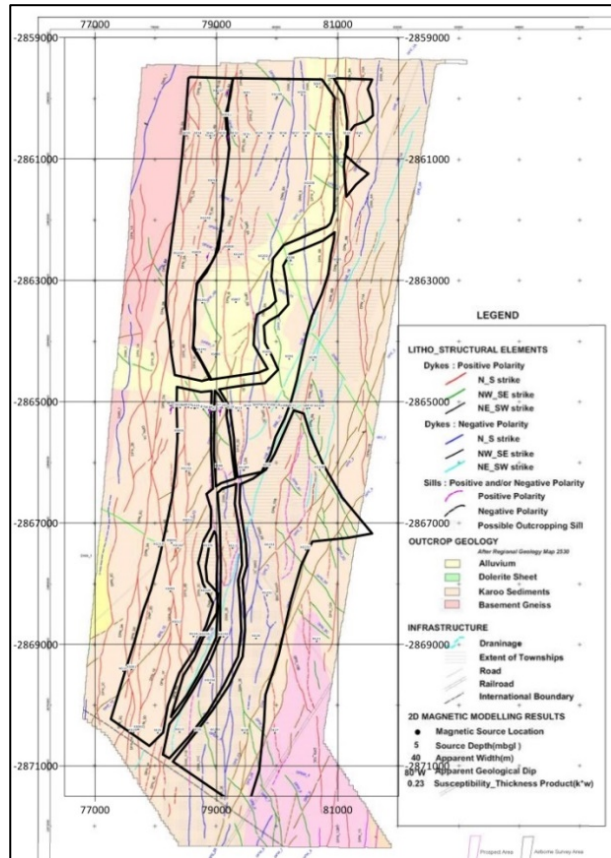


Figure 2. Block boundaries superimposed on the interpreted aeromagnetic survey



Figure 3. Photographs of the anthracite seams intersected

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:

Table 7: Results of Impact Splitting Tests

Table 7: Results of Impact Spalling Tests											
From	To	Lithology	Thickness (m)	Initial Fractures	Final Fractures	Fracture Spacing (cm)	Unit Rating	Remarks	Mean Height (m)	Weighted Rating	Remarks
KS13 5 + 6 Seam											
100.97	101.97	Sandstone	1.00	3	8	13	35	Very Good			
101.97	103.85	Sandstone	1.88	6	17	11	44	Very Good	1.06	156	
103.85	103.97	Shale Carbonaceous	0.12	0	5	2	10	Very Poor	0.06	4	
		Coal Seam						Total roof rating		161	Very Good
Ks17 7 Seam											
87.10	88.10	Sandstone	1.00	2	8	13	35	Very Good			
88.10	90.10	Sandstone	2.00	9	21	10	29	Good	1.00	116	
		Coal Seam						Total roof rating		116	Good
Ks17 & 5+6 Seam											
141.29	142.29	Sandstone	1.00	5	9	11	32	Very Good			
142.29	144.29	Sandstone	2.00	18	30	7	23	Moderate	1.00	93	
		Coal Seam						Total roof rating		93	Moderate
Ks17 & 3 Seam											
161.58	162.37	Sandstone	0.79	4	7	11	33	Very Good	1.61	20	
162.37	163.20	Siltstone	0.83	6	18	5	18	Moderate	0.80	37	
163.20	163.58	Mudstone	0.38	9	12	3	13	Poor	0.19	17	
		Coal Seam						Total roof rating		75	Moderate

Regional Geology

The regional geology of the area is shown on the geological plan. The Karoo Super group was deposited unconformably on the Achaean granite floor. The Karoo sediments found in the area are; Dwyka, Middle Eccla, Upper Eccla and the Stormberg Group. The first three formations consist of sedimentary deposits,

while the Stormberg Group consists of sedimentary and volcanic extrusions. Numerous faults and sills are present in the area.

The coal seams were deposited in the Middle Ecca. The sedimentary succession was followed by the extrusion of volcanics. Dolerite dykes and sills intruded at the time of the Stormberg volcanics. It is thought that these volcanics together with minor folding caused the devolatilisation of the coal. The devolatilisation is not localised to areas near the volcanics but is regional and thus must also be due to the structural folding. The Middle Ecca is correlated with the Vryheid Formation. The Vryheid formation is considered to be of fluvial origin and consists predominantly of arenaceous sediments, namely, sandstones with subordinate grits, mudstones, shales and carbonaceous sediments which include the coal seams. There are four possible causes of the anthracitisation of the coal, high geothermal gradient, intrusion of dolerite sills and dykes, formation and folding of the Lebombo monocline and the intrusion of the Mananga granophyre.

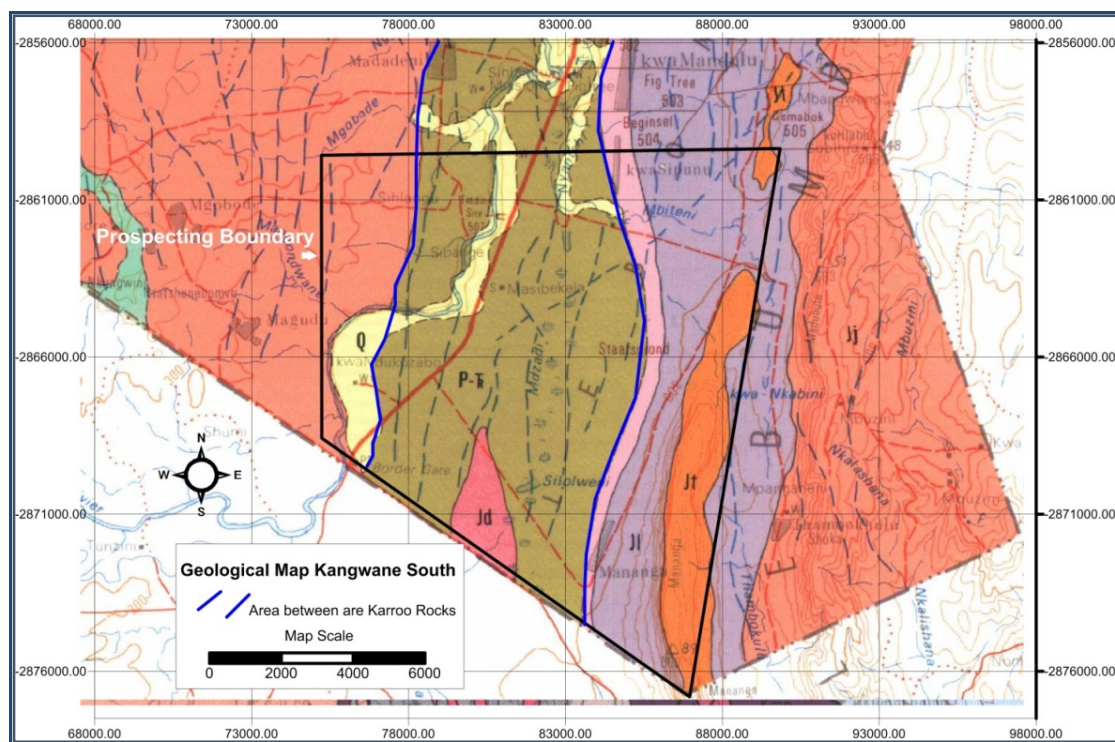


Figure 4: Plan showing the limits of Karoo (coal bearing formation)

Further Exploration Work

The historical drilling done by the Mining Corporation was not done on a geometric grid but on East West strike lines. It is necessary before the next phase of drilling is planned to identify the areas of the resource where the influence of structure and the igneous intrusions (dolerite) can be accurately identified. An aeromagnetic survey was flown over the entire resource area. This survey identified which areas of the resource are structurally less complex so that the next drilling programme could be done on a geometric grid in these more prospective areas.

Competent Person

Information contained in this announcement that relates to exploration results for the Kangwane South Project is based on, and fairly represents, information compiled by Mr. David van Wyk, who is a Member of the South African Council for Natural Scientific Professions, a “Recognised Overseas Professional Organisation” included in a list promulgated by the ASX from time to time. Mr. van Wyk is the proprietor of GeoCoal Services CC which provides geological consulting services. Mr. van Wyk has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking in respect of the Kangwane South Project to qualify as a “Competent Person” within the meaning set out in the JORC Code 2012. Mr. van Wyk consents to the inclusion of the matters based on his information in the form and context in which it appears in this announcement. The information in this announcement that refers to Phase 1 drill program results was first reported by the Company in an announcement dated 27 September 2017. 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
Drill Data (WGS 84 Lo 31)

Bore Hole ID	Northings	Eastings	Metres above sea level	Dip	Azimuth	Final Depth (metres)
				(Degrees)	(Degrees)	
KS15	-2860297.80	-80478.20	256.87	-90	0	172.38
KS17	-2860974.68	-80377.64	256.44	-90	0	220.53
KS18	-2861530.61	-80129.88	261.66	-90	0	180.98
KS19	-2861901.29	-80554.52	254.89	-90	0	241.72

Appendix 2

JORC Code, 2012 Edition – Table 1

Section 1 Sampling Techniques and Data

Criteria	JORC Code explanation	Commentary
Sampling techniques	<i>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.</i> <i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</i> <i>Aspects of the determination of mineralisation that are Material to the Public Report.</i>	- In the initial core drilling sampling techniques would have been used as an industry standard for coal sampling as set out in the South African guide to the systematic evaluation of coal resources and coal reserves . The recent six holes were logged and samples according to SANS-2014 standards - As whole cores are taken all samples represent the sampled interval - The coal has been anthracised either by structural folding and/or dolerite sill intrusions
Drilling techniques	<i>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.).</i>	99 Cored TNW holes and 30 Percussion holes in the initial 1990's data. 10 cored holes in 2008 and 2 cored holes in 2017 - Four cored holes were completed during 2018
Drill sample recovery	<i>Method of recording and assessing core and chip sample recoveries and results assessed.</i> <i>Measures taken to maximise sample recovery and ensure representative nature of the samples.</i> <i>Whether a relationship exists between sample recovery and quality and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</i>	- Each individual core run is physically measured and then compared to theoretical core run (by measuring stick up and rods used for every run). - Core recoveries in anthracite have to be > 95% - Anthracite is brittle and some fine material could be lost but if core recovery in coal is less than 95% borehole will be re-drilled
Logging	<i>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Coal Resource estimation, mining studies and metallurgical studies.</i> <i>Whether logging is qualitative or quantitative in nature. Core (or</i>	- All historical cores were geologically logged by a qualified geologist and profiles drawn showing in detail each sample interval and anthracite intersection. - Recent boreholes were tested for roof and floor mining conditions - No chip samples were sampled only

Criteria	JORC Code explanation	Commentary
Sub-sampling techniques and sample preparation	<i>costean, channel, etc.) photography.</i> <i>The total length and percentage of the relevant intersections logged.</i>	anthracite from the diamond cores.
	<i>If core, whether cut or sawn and whether quarter, half or all core taken.</i> <i>If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry.</i> <i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i> <i>Quality control procedures adopted for all sub-sampling stages to maximize representivity of samples.</i> <i>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.</i> <i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i>	- Whole core was taken and no sub sampling was done. - N/A - Sample preparation is documented in laboratory procedures below. - Duplicate and twinned boreholes are planned in the next drilling phase. - No duplicate samples taken. - Sample size is usually controlled as a minimum mass is required to do a representative wash on each RD fraction.
Quality of assay data and laboratory tests	<i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i> <i>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.</i> <i>Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.</i>	The normal procedure in the coal laboratories is assumed to be done as follows:- Condition sample to remove surface moisture Weigh sample and calculate Raw Relative density Screen out - .5 mm material Crush + 0.5 mm material to top size of 25 mm The sample preparation and analyses on all the historical boreholes was done by M & L an accredited South African Coal Laboratory. Washed at different RD from 1.35 to 2.0 in baths made up to those RD's. Crush floats and sinks to 212 microns and sub sample using a riffler to obtain sufficient sub sample for analyses of each float fraction plus sinks. On sub samples for each float fraction and sinks analyse for Calorific Value (MJ/kg), Ash (%), Moisture (%),

Criteria	JORC Code explanation	Commentary
		Volatile Matter (%), Sulphur (%) and Phosphorus (%) and calculate Fixed Carbon by difference. These analytical procedures are all explained in the SABS guidelines and include duplicates and blanks of known values. Raw Phosphorus% in coal was determined in all the 2018 drilling as well as some washed Phosphorus for a 17% Ash product.
<i>Verification of sampling and assaying</i>	• <i>The verification of significant intersections by either independent or alternative company personnel.</i> • <i>The use of twinned holes.</i> • <i>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</i> • <i>Discuss any adjustment to assay data.</i>	• As the initial drilling was done in the 1990's no record has been found of any verification by third parties. • No twinned holes have been drilled to date. • All primary data was captured from the physical hard copies of the graphic bore hole logs and analytical tables. • It is normal procedure in South Africa to have Round Robin samples distributed between the analytical laboratories and results are compared on a quarterly basis. Twin streaming is also used to verify analytical results. Historical data was captured by the Council for Geoscience and then presented to the client in excel spread sheets.
<i>Location of data points</i>	• <i>Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Coal Resource estimation.</i> • <i>Specification of the grid system used.</i> • <i>Quality and adequacy of topographic control.</i>	• Professional land surveyors are normally used to survey the borehole positions. The grid system initially used was Cape LO 31. All data has subsequently been converted to WGS 84 LO 31. Borehole collars were checked by the author using Expert GIS and MapQuest and no significant differences were observed. • The recent 6 boreholes drilled were surveyed by a Professional Land Surveyor.
<i>Data spacing and distribution</i>	• <i>Data spacing for reporting of Exploration Results.</i> • <i>Whether the data spacing and distribution is sufficient to establish the degree of geological and quality continuity appropriate for the Coal Resource and Coal Reserve estimation</i>	• Data Spacing was sufficient for reporting Exploration Results • Data spacing was sufficient and numerous cross sections have been drawn to show continuity of the coal seams

Criteria	JORC Code explanation	Commentary
Orientation of data in relation to geological structure	<i>procedure(s) and classifications applied.</i> • <i>Whether sample compositing has been applied.</i> • <i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i> • <i>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</i>	• Compositing of samples taken per seam has been applied using WashProduct a Snowden's Technology proprietary software • A number of boreholes were drilled on East West lines to facilitate the identification of North South structures • It is clear from the previous reports by the Mining Corporation and the Southern Anthracite Company that structures run north south and after the initial drilling on a grid east west lines were drilled at a close spacing to help resolve these structures. A number of east west magnetometer surveys were also done and their interpretation helped in defining the Resource Blocks. The close spaced drilling along east west lines would not result in any sampling bias. There is no record of historical sample security but the recent drilling and the proposed drilling have audit trails from the field geologist to the laboratory and the laboratory stores all remaining sample material as instructed by the client. • No bias in the relationship of the anthracite seams, drilling orientation and sampling would occur in the anthracite field. • It has been reported that future drilling should be on a geometric grid to be more representative of the coal resource.
Sample security	• <i>The measures taken to ensure sample security.</i>	• It is common practice in the field to have an audit trail of each sample. A sample ID would be inside the bag as well as attached to the outside. A sample list would be sent with the samples to the laboratory where all the samples would be validated against this list and with the geologist who took the samples in the field
Audits or reviews	• <i>The results of any audits or reviews of sampling techniques and data.</i>	• Venmyn Rand were given a full set of data in 2013 to review the GeoCoal Geological report. No formal report

Criteria	JORC Code explanation	Commentary
		was received but personal communication received was positive.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
<i>Mineral tenement and land tenure status</i>	• <i>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.</i> • <i>The security of the tenure held at the time of reporting along with any known impediments to obtaining a license to operate in the area.</i>	• Altius Trading Company (Pty) Ltd was awarded a Mining Right (MP30/5/3/3/10013 MR) over the Kangwane South Tenement by the Department of Mineral Resources (South Africa). The right states that the right commenced on the 18 September 2013, and that Altius must commence with mining operations within 1 year of the right becoming effective. The right became effective on the date of grant, being the 22 February 2017. Therefore mining must commence by 22 February 2018.
<i>Exploration done by other parties</i>	• <i>Acknowledgment and appraisal of exploration by other parties.</i>	• The Mining Corporation drilled the original 99 cored boreholes. DNZ Holdings (Pty) Ltd. drilled cored holes in 2008 and Malatleng Mining drilled 2 cored holes in 2017. 4 Boreholes were drilled during 2018. 34 percussion boreholes were drilled to delineate the coal limits. No record of these was documented except their positions on a plan. The outline of the limit of anthracite was documented in their reports
<i>Geology</i>	• <i>Deposit type, geological setting and style of mineralisation.</i>	• The Karoo Super group was deposited unconformably on the Achaean granite floor. The Karoo sediments found in the area are; Dwyka, Middle Ecca, Upper Ecca and the Stormberg Group. The first three formations consist of sedimentary deposits, while the Stormberg Group consists of sedimentary and volcanic extrusions. Numerous faults and sills are present in the area. • The Vryheid formation at the base of the Middle Ecca is considered to be of fluvial origin and consists predominantly of arenaceous

Criteria	JORC Code explanation	Commentary
		sediments, namely, sandstones with subordinates grits, mudstones, shales and carbonaceous sediments which include coal seams.
<i>Drill hole Information</i>	• <i>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:</i> ○ <i>easting and northing of the drill hole collar</i> ○ <i>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</i> ○ <i>dip and azimuth of the hole</i> ○ <i>down hole length and interception depth</i> ○ <i>hole length.</i>	• The client Hawkstone Mining has a summary of all the exploration results
<i>Data aggregation methods</i>	• <i>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum quality truncations (e.g. cutting of high qualities) and cut-off qualities are usually Material and should be stated.</i> • <i>Where aggregate intercepts incorporate short lengths of high quality results and longer lengths of low quality results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</i> • <i>The assumptions used for any reporting of qualities should be clearly stated.</i>	• Standard weighting statistical methods were used when reporting the Raw and Washed Qualities. • No aggregation was done. • All anthracite qualities were analysed at Independent Laboratories.
<i>Relationship between mineralisation widths and intercept lengths</i>	• <i>These relationships are particularly important in the reporting of Exploration Results.</i>	• All boreholes drilled were vertical, and as the anthracite seams are horizontal intersected lengths will equate to true widths.
<i>Diagrams</i>	• <i>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but</i>	• A number of maps and cross sections were included in the IGR and are available if required.

Criteria	JORC Code explanation	Commentary
	<i>not be limited to a plan view of drill hole collar locations and appropriate sectional views.</i>	
<i>Balanced reporting</i>	• <i>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high qualities and/or widths should be practiced to avoid misleading reporting of Exploration Results.</i>	• Weighted averages, maximums and minimums widths and qualities for each seam are reported above. Contour plans of selected qualities were also included in the IGR. • Seam depth and width plans were also included in the IGR.
<i>Other substantive exploration data</i>	• <i>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.</i>	• A ground magnetic survey was conducted by the Mining Corporation. A magnetic survey was carried out prior to the 1987 drilling programme. East-West lines at right angles to strike 500 metres apart and readings were taken every 2 meters. A total of 143.20 line kilometres with some 71 600 readings was completed. The profiles and cross sections were used to delineate the dykes and faults. Interpretations of the geology were used to delineate the resource blocks. • An airborne magnetic survey was completed at the end of 2017. A full report on this survey and the interpretation by GP Geophysical is available from Hawkstone Mining.
<i>Further work</i>	• <i>The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).</i> • <i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i>	• The results of the aeromagnetic survey should be used to plan the next phase of drilling and should be done on a geometric grid in these more prospective areas.