

HAWKSTONE TO SPIN-OUT HIGH GRADE GOLD AND GOLD-COPPER PROJECTS IN THE USA

Highlights

- Hawkstone to become a dedicated lithium company with all focus on the Big Sandy Sedimentary Lithium Project in Arizona.
- Hawkstone to change its name to Arizona Lithium to reflect this shift in strategic direction.
- Hawkstone to spin-out its portfolio of gold and gold-copper projects to form a separate listed company, Diablo Resources Limited (Diablo).
- As part of the spin-out, Hawkstone will divest and sell its interest to Diablo in the Devil's Canyon Gold-Copper Project in Nevada, Western Desert Gold-Copper Project in Utah, and the Lone Pine Gold Project including the King Solomon Mine in Idaho.
- As part of the spin-out, Hawkstone will receive 40,000,000 vendor shares, which upon the successful ASX listing of Diablo, will be distributed by way of an in-specie pro rata distribution to existing shareholders of Hawkstone.
- Hawkstone shareholders will also have the right to participate in a \$3.5 million priority offer in the ASX listing of Diablo, providing an opportunity for further investment exposure to the gold and gold-copper assets.
- Significant exploration work has recently been completed by the Hawkstone technical team to progress all projects to a drill ready stage, with drilling to commence shortly after the proposed ASX listing of Diablo.

Hawkstone Mining (ASX:HWK) ("Hawkstone", the "Company") is pleased to announce that the Company is to become a dedicated lithium company with its focus on the Big Sandy Lithium Project in Arizona, USA. To achieve this, Hawkstone will spin-out its gold and gold-copper projects in the USA to form a separate listed company, Diablo Resources Limited ("Diablo"), with Hawkstone to change its name to Arizona Lithium Limited. The spin-out and change of name will be subject to shareholder approval.

Commenting on the spin-out, Hawkstone Managing Director, Paul Lloyd, stated: *"With the recent shift in market sentiment to battery minerals, we feel that Hawkstone shareholders will gain maximum value from the Company's gold and gold-copper assets via Diablo Resources, as a separate ASX listed entity. Located in world class gold and copper regions, these projects hold significant potential and the spin-out will provide shareholders with a non-dilutive and "off balance sheet" solution to accelerate exploration on these assets in a period of high gold and copper prices. It will also allow the existing shareholders to participate in the new listing on a priority basis relative to their existing shareholding in HWK, as well as being rewarded with a significant stake by way of an in-specie distribution. Diablo will have an exciting start to its ASX listing with the drilling of the Devil's Canyon Gold Project, a Carlin style project in Nevada, USA, 20kms from a 5.9 million ounce resource¹, that returned high grade rock chip samples. Many high priority drill targets have been identified from our recently completed exploration work."*

¹ <https://www.kinross.com/operations/default.aspx#americas-baldmountain>

DEVIL'S CANYON, WESTERN DESERT AND LONE PINE PROJECTS



Figure 1 – Hawkstone's Gold & Copper Project Locations, USA

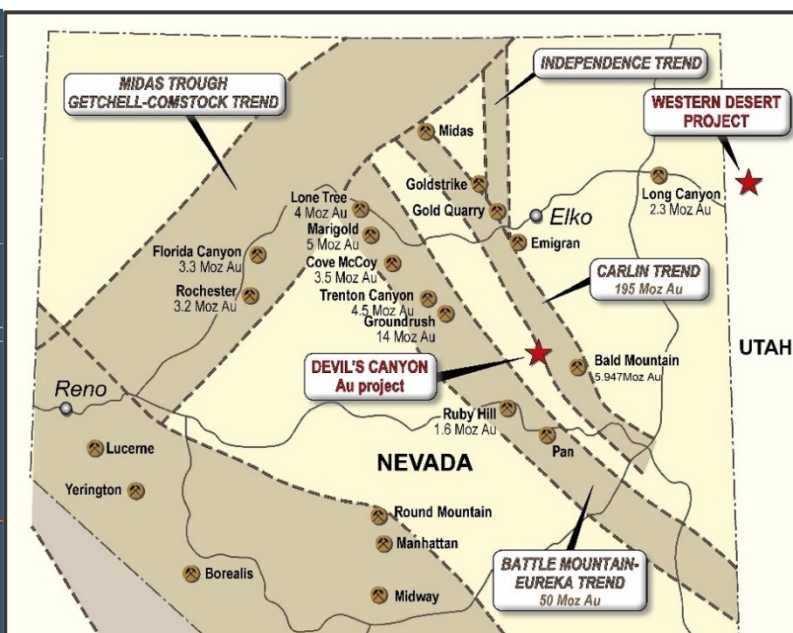


Figure 2 – Devil's Canyon & Western Desert Projects

PROJECT SUMMARY AND DRILLING TIMEFRAME

Project Name	Location	Surrounding Projects	High grade Rock Chip Samples	Drilling Timeframe
Devil's Canyon Gold-Copper Project	Nevada	20km West Bald Mountain 5.9Moz Au, Kinross Gold Corp ²	191.5 g/t Gold 10.25 % Copper	Q3 2021
Western Desert Gold Project	Utah	50km west Long Canyon 2.3Moz Au, Newmont Corp ³	25 g/t Gold 6.33 % Copper	Q4 2021
Lone Pine Gold Project	Idaho	8km west Beartrack Mine, 3Moz Au, Revival Gold Inc ⁴	High grade non compliant JORC resource(see below)	Q2 2022

DEVIL'S CANYON GOLD-COPPER PROJECT

Hawkstone's 100% owned Devil's Canyon Gold Project ("**Devil's Canyon**") is located approximately 50km north of Eureka and 100km south of Elko, Nevada, USA, and consists of 90 BLM claims covering 6.56km².

Devil's Canyon lies within the Carlin Trend in Nevada, with production in excess of 195 million ounces of gold, and is 20km west of the Bald Mountain Gold Mine operated by Kinross Gold, that produced 188,000 ounces of gold in 2019⁵, and an exploration budget of US\$7 million in 2020⁶ alone.

² <https://www.kinross.com/operations/default.aspx#americas-baldmountain>

³ <https://miningdataonline.com/property/100/Long-Canyon-Mine.aspx#Reserves>

⁴ Michael Lechner, 2018, MINERAL RESOURCE ESTIMATE, BEARTRACK PROPERTY, LEMHI COUNTY, IDAHO, UNITED STATES.

⁵ <https://www.kinross.com/operations/default.aspx#americas-baldmountain>

⁶ <https://www.kinross.com/operations/default.aspx#exploration-roundmountainusa>

The project is also located 40km north of the Ruby Hill Gold Mine operated by Barrick Gold Corporation with quoted resources of 1 million ounces Au in 2006⁷.

Devil’s Canyon exhibits similar geology to both the Bald Mountain and Ruby Hill Gold Mines, with the proposed spin-out of this project providing a significant opportunity for Hawkstone shareholders to benefit from a substantial drill campaign at this high potential gold-copper project, which will commence shortly after the successful listing of Diablo Resources on the ASX.



Image 1 - Visible copper mineralisation at Devil’s Canyon

Previous Exploration

Small scale, artisanal copper mining has occurred on the project with a recorded production (1950) of 250 lbs Cu, 19 lbs Zn and 2 oz Ag from 2 tons of ore. A period of exploration commenced in 1987 with stream sediment sampling followed by 13 reverse-circulation drill holes testing the property for gold mineralisation. Complete assay data is not available, and although reference of high grades in drilling is mentioned in the report, these details cannot be verified.

A total of 318 historical grab rock samples were also collected, however their exact locations are not known. Assays for selected elements ranged from below detection to 58 g/t Au and 244 g/t Ag.

Geology

Devil’s Canyon is underlain by a sequence of Palaeozoic sediments intruded by a multi-phase granite, with these intrusives having a strong spatial relationship to the gold and copper metal mineralisation exploited by the Bald Mountain and Ruby Hill Gold Mines.

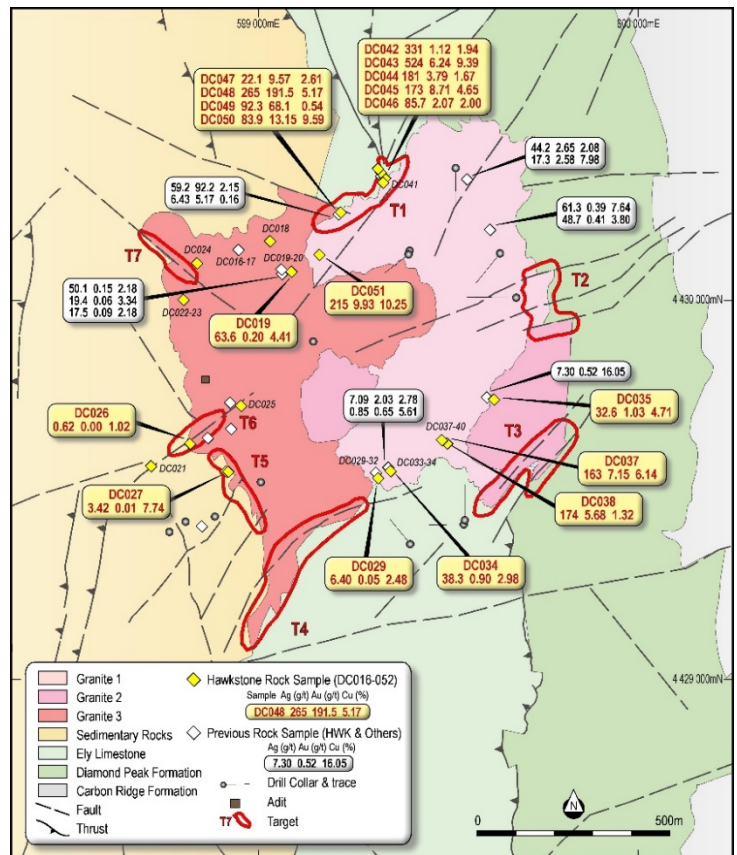


Figure 3 – Devils Canyon Project Geology and Sampling

Photogeological interpretation has identified 7 Targets related to NE, NW and northerly trending faults and shear zones in and on the perimeter of the granite. Airborne UAV magnetics has further highlighted these targets and subsequent phases of rock chip sampling has identified two gold-copper and two copper mineralised zones closely related to the structural targets, in particular Target

⁷ https://mrdata.usgs.gov/mrds/show-mrds.php?dep_id=10310484

1 that lies along a NE trending structure forming the northern contact of the intrusive with the Ely limestone.

Mineralisation

A total of 66 rock samples were collected as both outcrop and float during mapping focused on extending areas of known mineralisation together with reconnaissance prospecting along prospective trends and targets identified from previous sampling and geological interpretations (Figure 3).

Anomalous rock samples were recorded from several areas with peak results of 191.5 g/t Gold (Au), 524 g/t Silver (Ag) and 10.25% Copper (Cu).

Planned Exploration

The UAV magnetics are currently being modelled, with further mapping and geochemical sampling planned prior to permitting approvals and drilling in the 2021 northern field season.



Image 2 – The high potential Devil’s Canyon Gold Project, which will be drilled shortly after the successful listing of Diablo Resources

WESTERN DESERT GOLD-COPPER PROJECT

The Western Desert Gold-Copper Project (“WD”) consists of 258 BLM lode mining claims and 3 State Leases covering 28.65km² located in western Utah near to the Nevada Border with Utah, a world-class mining jurisdiction ranked 7th globally for Investment Attractiveness by the Fraser Institute⁸.

The WD Project lies within the same sequence of Cambro-Ordovician carbonate and sedimentary rocks that host the prolific Carlin Trend gold deposits 200km to the west, the Long Canyon Gold Mine (Newmont 2.3M oz Au)⁹, and Tug Deposit (431,000 oz Au and 13.8M oz Ag) of West Kirkland Mining INC 40km to the north.¹⁰ The project also lies 150 km west-north-west of the Bingham Canyon Mine (Rio Tinto 23Mt Cu & 38.5M oz Au).

⁸ Fraser Institute, Annual Survey of Mining Companies, 2018, <https://www.fraserinstitute.org/studies/annual-survey-of-mining-companies-2018>

⁹ <https://miningdataonline.com/property/100/Long-Canyon-Mine.aspx#Reserves>

¹⁰ News Release, No. 36-2012 July 16, 2012, West Kirkland Files TUG Resource Estimate on SEDAR

Previous Exploration

Previous exploration at WD prior to Hawkstone acquiring the project has consisted of minor shafts, adits and dozer scrapes.

Geology

The stratigraphy and structure of the geology on the WD Project is similar to the host rocks of the Carlin Trend gold deposits. A wedge of Carboniferous sediments and carbonate units in the west is thrust over pre-Carboniferous (Cambrian to Devonian) units to the east. In the Carlin Trend the mineralisation is hosted within the overlying carbonate units along or near the thrust faults.

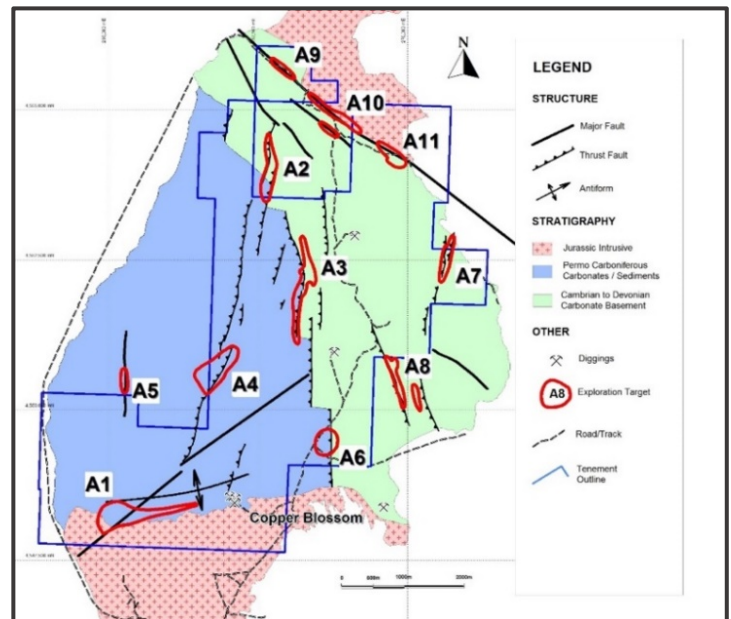


Figure 4 – Western Desert Geology and Targets

Exploration by Hawkstone

Exploration by Hawkstone has consisted of photogeological interpretation, targeting, mapping, rock chip, stream sediment sampling and ground magnetics and gravity surveys. Photogeological interpretation identified 11 geological and structural targets, and this was followed by stream sediment sampling in conjunction with rock chip sampling across the higher ranked targets identifying four areas of stream sediment anomalism.

Mineralisation

Observed mineralisation at historical workings known as Copper Blossom, a highly prospective exploration target containing favourable elements for potential large-scale mineralisation, consists of skarn style Au-Cu-Ag mineralisation within altered carbonate - sandy carbonate rocks proximal to the intrusive contact. The mineralised zones strike $\sim 290^{\circ}/45^{\circ}\text{S}$ over 350m+, possibly extending under cover to the east and at depth to the west.

A total of 101 rock chip samples were collected as part of the due diligence and mapping across the project. Results ranged from below detection to a maximum of 25 g/t Au, 1,495 g/t Ag and 6.33% Cu. Stream sediment sampling (289 samples) and soil sampling (34 samples) was completed over the project area defining anomalous geochemistry corresponding to the identified targets.

Geophysics

The main core of the project area containing targets A1, A2, A3 and A6 were covered by ground magnetics and gravity surveys. This data is presently being processed and modelled.

Planned Exploration

Upon the successful ASX listing of Diablo, it is planned to drill the resulting targets in the second half of 2021 following permitting approvals.



Image 3 – The Western Desert Gold – Copper Project

LONE PINE GOLD PROJECT

Hawkstone's 100% owned Lone Pine Project ("**Lone Pine**") comprises two Patented Mining Claims and a further 268 BLM lode claims covering an area of approximately 21.85 km² ten kilometres west of Salmon, Lemhi County, Idaho, with a Non-JORC compliant, mineral resource estimate of **71,128 ounces Au** (122,600 tons @ 18.06 g/t Au).

No JORC compliant resource has yet to be defined on the Lone Pine Gold Project. A full description of the non-complaint resource has been presented by Hawkstone in their announcement dated February 3, 2020, ACQUISITION OF HISTORICAL HIGH-GRADE LONE PINE PROJECT.

The announcement of February 3, 2020 also presents all of the information required by ASX Listing Rule 5.12. Accordingly, the Company has provided the requisite additional disclosure in Appendix 1 of that announcement in relation to the historic estimate detailed above.

In August 2020, the Company acquired the adjoining historical King Solomon Mine (KSM) from Jervois Mining Ltd, consolidating the Company's land holding in the Lone Pine area, Idaho, USA. The acquisition complements the existing Lone Pine claims and significantly enhances the overall potential of the Lone Pine Gold Project.

The Lone Pine Project and King Solomon Projects lie 16km and 8km east respectively of the Arnett Creek and Beartrack Mine, 5km west of the historic Queen of the Hills mine, and 900m NW of the King Solomon Mine. Beartrack produced **600,000 oz Au** up to the year 2000 from resources totalling **1.98 million ounces Au**, and was closed due to a declining gold price¹¹.

Arnett Creek and Beartrack are being explored by Revival Gold Inc TSX.V:RVG.

¹¹ Michael Lechner, 2018, MINERAL RESOURCE ESTIMATE, BEARTRACK PROPERTY, LEMHI COUNTY, IDAHO, UNITED STATES.

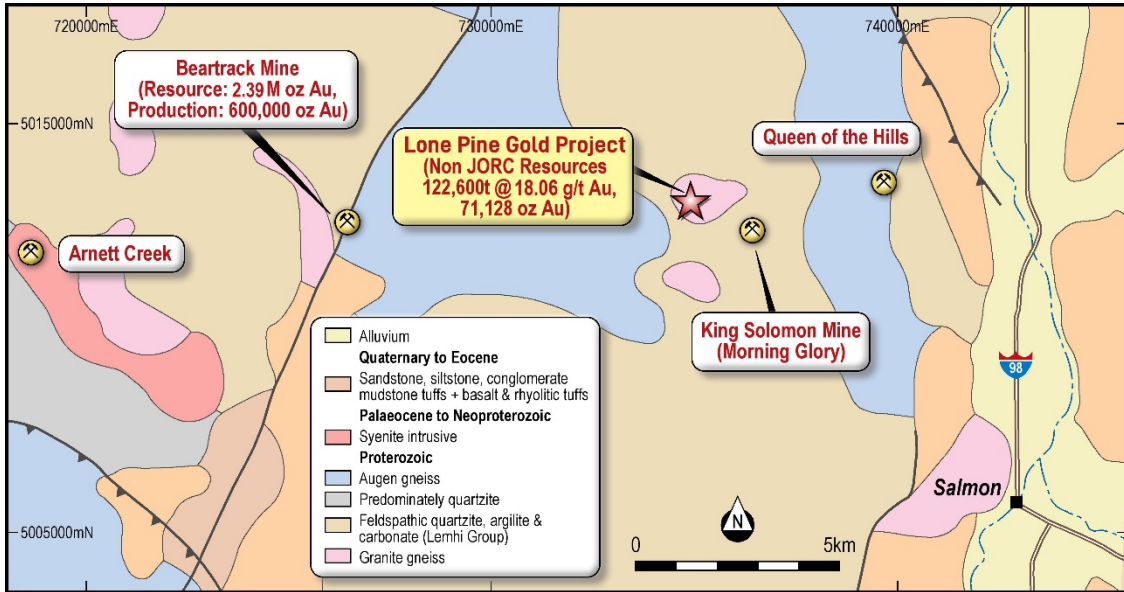


Figure 5 – Regional Project Map

History

Gold was discovered at Lone Pine in 1882 with the majority of the development work completed on the Lone Pine vein zone prior to 1907 including six adits and a shallow shaft. A 10 stamp mill was constructed in 1907 and was operated intermittently for six months. A 1914 report estimates a total of 71,178 ounces Au classified as “developed and probable ore reserves” based on “map records”.

The King Solomon Mine, located 900m to the southeast of the Lone Pine vein zone was reportedly mined for high grade gold between 1890 and 1910. In 1990 Teck Resources completed exploration including 23 RC drill holes. They intersected 48.8m @ 1.52g/t Au including a higher-grade zone of 16.8m @ 3.42g/t Au.

Geology

The Lone Pine Gold Project lies in the Trans-Challis Fault System, a broad northeast-trending structural system that has been traced for 300 km across the centre of the state of Idaho, with 2.9 million ounces of gold produced from this fault system from 1863-1980, more gold than any other mining locality in Idaho.

The Lone Pine Project contains precious metal occurrences spatially and genetically related to the Eocene age Trans-Challis Fault System a major zone of rifting and crustal extension. The mineralised quartz-filled structure/shear hosting the Lone Pine vein zone is associated with a steeply dipping, NE striking contact between granitoid and sediments.

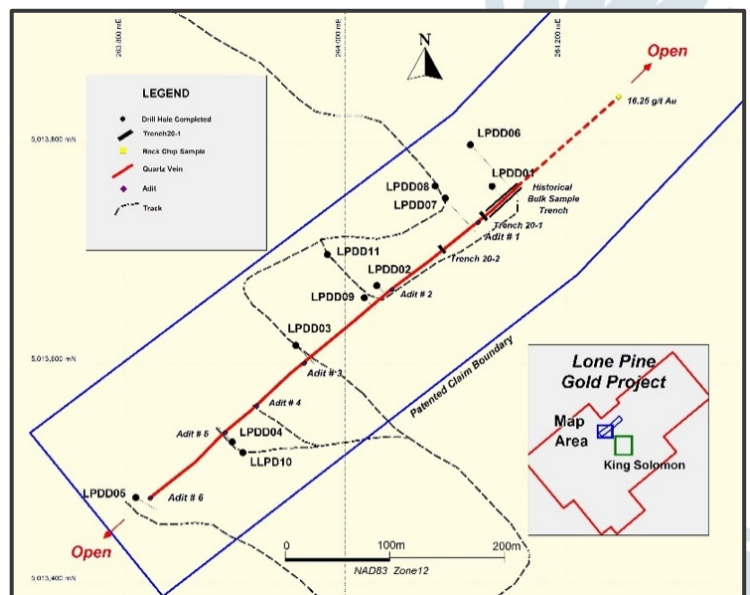


Figure 6 – Location of Lone Pine Drill holes

Exploration

During 2020, 11 diamond drill holes LPDD01 to LPDD11 totalling 677.55m were completed along the Lone Pine vein zone with all holes intersecting the zone. Better drill intersections included:

- 1.22m @ 17.02 g/t Au (inc. 0.31m @ 65.60 g/t Au) from 38.43m
- 2.63m @ 7.06 g/t Au from 63.75m
- 1.91m @ 12.93 g/t Au from 106.9m.

In addition, the Company completed regional mapping and rock chip sampling identifying numerous other gold occurrences within the project area.



Image 4 – The Lone Pine Gold Project

Planned Exploration

Drill planning and permitting is progressing and airborne UAV magnetics are planned during Q2.

The case for Devil's Canyon, Western Desert and Lone Pine as standalone assets:

- The shift in the world's lithium market has resulted in Hawkstone's Big Sandy Project being a substantial asset with minimal value ascribed to the Company's gold and gold-copper assets.
- The rising gold and copper prices have brought significant potential value to the gold and gold-copper projects.
- The listing of gold and gold-copper projects will enable investors to focus on these assets eliminating any questions as to either Hawkstone's or Diablo's direction.

Proposed Spin-out and In-specie Distribution

It is proposed that Hawkstone will hold 40,000,000 shares in Diablo prior to the in-specie distribution being voted on by Hawkstone shareholders at a meeting to be convened in July 2021. At an initial public offering (IPO) price of \$0.20, this implies a value of \$8 million for Hawkstone's shareholding in Diablo.

The in-specie distribution is conditional upon:

- Receipt of Hawkstone shareholder approval;
- A short-form prospectus being issued by Hawkstone to facilitate the in-specie distribution;
- The Diablo IPO being successfully completed; and
- Diablo receiving conditional approval for listing by the ASX.

For the proposed IPO, Diablo will seek to raise \$6.5 million via the issue of 32.5 million shares at \$0.20, and Hawkstone shareholders will have the right to participate in a \$3.5 million priority offer in the ASX listing of Diablo.

Details of the spin-out timing will be announced to the market as they become available.

Indicative Capital Structure

The indicative capital structure of Diablo is as follows:

Post IPO	Number of Shares	Price \$	\$
IPO capital raise \$3.5M – Priority allocation to HWK shareholders	17,500,000	0.20	3,500,000
IPO capital raise \$3.0M – Lead manager raising	15,000,000	0.20	3,000,000
Vendor shares re asset acquisition	40,000,000	0.20	8,000,000
Lead manager equity	2,000,000	0.20	400,000
Proforma shares on issue post IPO	74,500,000		
Market capitalisation at \$0.20			14,900,000
Enterprise valuation at \$0.20			8,400,000

This announcement has been authorised for release by the Board of Hawkstone Mining Limited.

FOR FURTHER INFORMATION PLEASE CONTACT:

MR. PAUL LLOYD

Managing Director

Hawkstone Mining Limited

Tel. +61 419 945 395

plloyd@hawkstonemining.com

Ground Floor, 24 Outram Street
West Perth WA 6005

Competent Person's Statement

The exploration results in this announcement were reported by the Company in accordance with listing rule 5.7 in the announcements as set out below. The Company confirms it is not aware of any new information or data that materially affects the information included in the previous announcements.

List of Previous Announcements

Devil' Canyon Gold-Copper Project

October 7, 2020, Acquisition of Carlin Trend Gold Project
October 23, 2020, Target A1 Identified Over 92.2 g/t Au Rock Chip Sample
December 12, 2020, High-Grade Gold and Copper Results at Devil's Canyon

Western Desert Gold-Copper Project

March 16, 2020 - Acquisition of Western Desert Gold - Copper Project, Utah, USA
July 3, 2020 - 950% Increase in Landholding at Western Desert Gold-Copper Project

Lone Pine Gold Project

February 3, 2020 – Acquisition of Historical High-Grade Lone Pine Gold Project
February 17, 2020 – Lone Pine Gold Project Update
February 24, 2020 – Completion of High-Grade Lone Pine Gold Project Acquisition
May 13, 2020 – Hawkstone Mining Investor Presentation
June 18, 2020 – Maiden Drill Programme to Commence at Lone Pine Gold Project
July 1, 2020 – Acquisition of King Solomon Mine Adjacent to Lone Pine Gold Project
July 3, 2020 – 950% increase in landholding at Western Desert Project
July 9, 2020 – Early Exercise of Options Raises \$1.77M
July 13, 2020 – Lone Pine Project Exploration Update
July 14, 2020 – Completion of Option Exercise and Resignation of Director
August 6, 2020 – HWK mobilised larger additional rig to Lone Pine
August 27, 2020 – Completion of King Solomon Acquisition and exploration update
September 15, 2020 – Initial Drilling Confirms High Grade Mineralisation at the Lone Pine Gold Project

