



ASX ANNOUNCEMENT
ASX:HWK

22 March 2018

HAWKSTONE SECURES OPTION TO ACQUIRE TWO STRATEGIC LITHIUM PROJECTS IN THE USA BACKED BY KLAUS ECKHOF

HIGHLIGHTS

- Option agreement executed to acquire 100% of USA Lithium Limited
- Klaus Eckhof and Paul Lloyd to be appointed directors of Hawkstone
- USA Lithium owns 100% of two highly prospective lithium projects:
 - Big Sandy Clay based lithium project located in Arizona
 - Lordsburg Lithium Brine project located in New Mexico
- Both projects provide excellent exploration potential with immediate walk up drill targets based on previous successful exploration
- Big Sandy: multi-kilometre, lithium mineralised lacustrine “green clay” horizon with high grade surface soil assay results from weathered zone
- Big Sandy 17-hole diamond drilling programme lodged with the Bureau of Land Management - drilling to commence immediately after approval
- Lordsburg subject to no modern exploration (Clayton Valley look alike): encouraging surface sample assay results
- Greg Smith to join as Chief Technical Officer to lead exploration
- Company exploration activities to be fully funded via a placement to Institutional and sophisticated investors to raise A\$3M, with A\$2.5M subject to shareholder approval

Hawkstone Mining Limited (ASX:HWK) (**Hawkstone** or the **Company**) is pleased to announce that it has entered into an option agreement (**Option Agreement**) to acquire USA Lithium Limited (**USA Lithium**) which owns a 100% interest in the Big Sandy Lithium Clay project (**Big Sandy**) located in Arizona, USA and the Lordsburg Lithium Brine project (**Lordsburg**) located in New Mexico, USA.

The acquisition is subject to completion of due diligence, Hawkstone shareholder approval, minority USA Lithium vendors executing formal sale agreements and certain other conditions precedent outlined later in this announcement.

Klaus Eckhof, commented,

“Our team has been actively assessing Lithium projects in the USA for a number of years and are excited to bring two projects of this quality to market.

Both Big Sandy and Lordsburg have company making potential and, with the guidance of our board and technical team, we look forward to aggressively advancing both projects.”

For personal use only

Hawkstone Director, Shaun Hardcastle, commented,

“This transaction is an exceptional opportunity for the Company to acquire two highly prospective lithium projects, which is further endorsed by Mr Klaus Eckhof and Mr Paul Lloyd agreeing to join the Board.

Mr Eckhof brings significant skills and experience with regards to the exploration, development and funding of resource projects globally. Mr Eckhof has an intimate knowledge of the Lithium market and Hawkstone looks forward to working with Mr Eckhof as we progress these two exciting projects.

Previous exploration on the USA Lithium assets has included channel sampling, mapping, soil geochemistry and shallow auger drilling, all of which has generated encouraging results. The proposed acquisition will deliver shareholders an exciting opportunity with an exploration team led by Greg Smith (ex Moto Gold Mines and Elemental Minerals) to direct exploration activities including the planned diamond drill programme.”

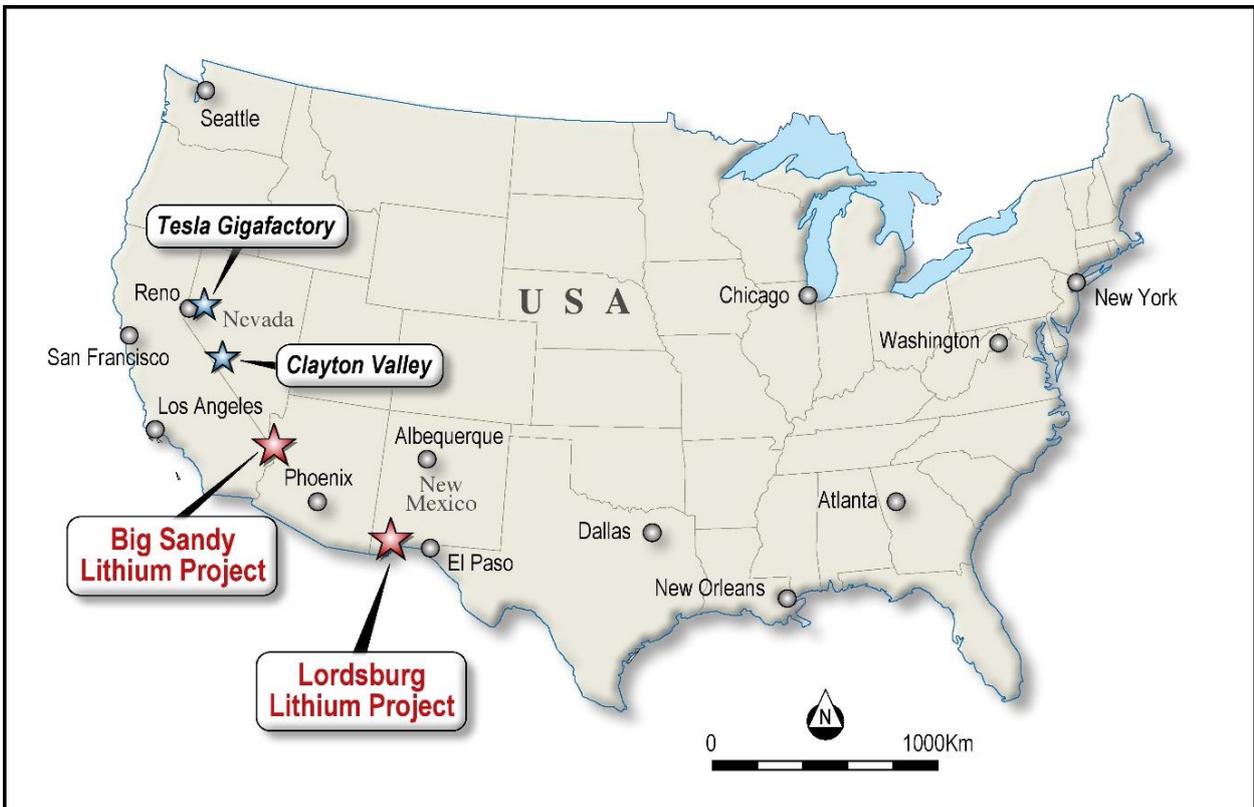


Figure 1 – Big Sandy and Lordsburg Lithium Projects

BIG SANDY LITHIUM CLAY PROJECT

Big Sandy straddles Interstate I93 between Phoenix and Las Vegas and comprises 258 Bureau of Land Management (**BLM**) claims, covering approximately 20.9km².

Big Sandy is also of strategic relevance to the Tesla Gigafactory, located approximately 960km by sealed interstate highway to the north west. Tesla and their partners are committed to \$4-5 billion of investment in the Gigafactory until 2020.

Regional Geology

The project lies within the Big Sandy Valley, a broad alluvial region with the Big Sandy River in the centre. The basin margins are marked by the Hualapai Ranges to the west and the Aquarius Ranges to the east. These ranges comprise granite gneiss and volcanic rocks and form steep and well-defined mountains either side of the large low-lying river valley.

The valley itself comprises a thick sequence of Miocene age lacustrine and alluvial sediments. The Big Sandy Valley is a typical block faulted graben lying between the Hualapai Mountains and the Aquarius Mountains. An extensive Miocene basalt flow covers older rock to the south, southeast, and northeast of the project area but is not present within the project area. Very minor remnants of basalt crop out beneath the Big Sandy valley as flow volcanic rocks seen in the lowermost eastern parts of the wash central to the project area and in the south of the project area.

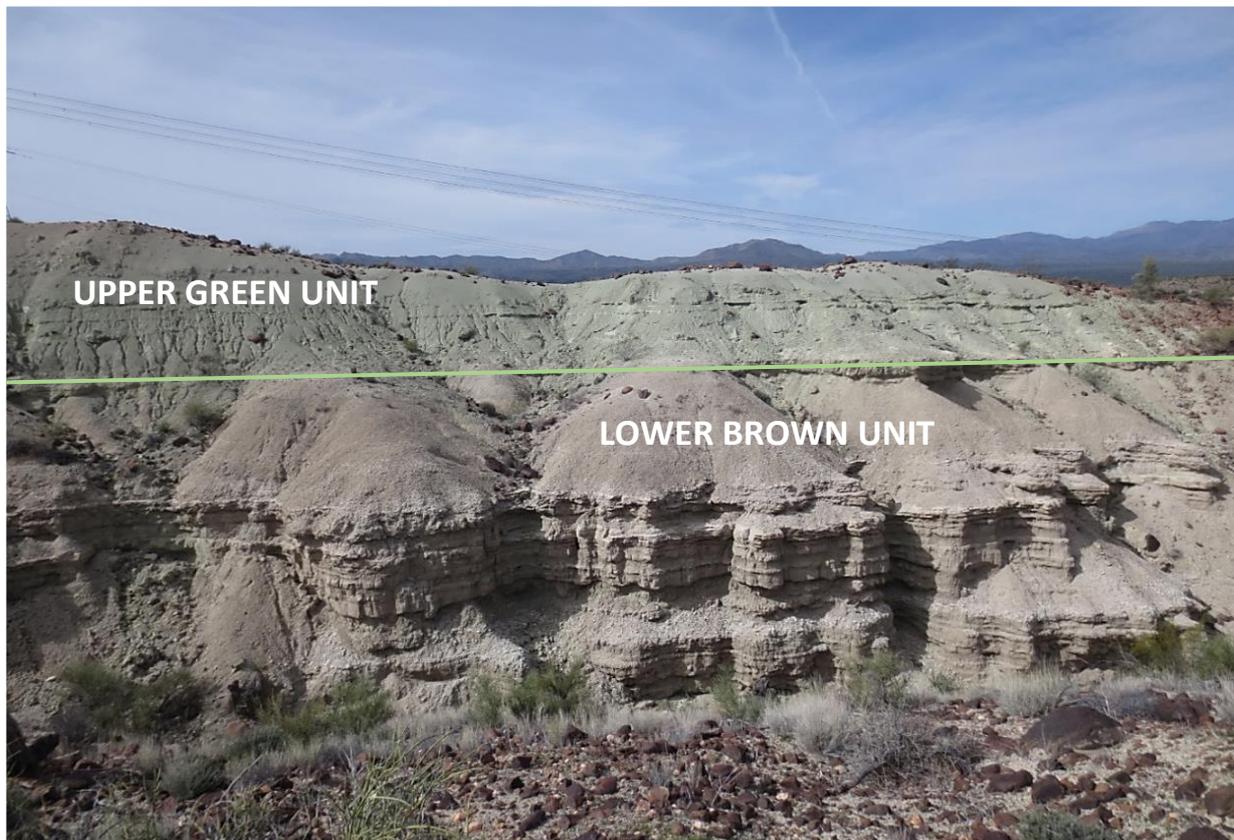
Local Geology

Big Sandy is characterized largely by flat-lying basin sediments comprising predominantly clays with analcime and potassic alteration zones. The green lacustrine lithium bearing clay horizon is traceable for over 11km north to south and extends at least 2km to the east as a flat sheet at or near surface (see Figure 2 below). Faults underlying the lake may have served as channel ways for lithium-rich solutions to percolate into the lake basin and possibly alter and enrich the existing clays in lithium. Cofer Hot Springs is interpreted to lie on an East North East trending fault zone. Alternatively, the lithium may have been sourced from underlying/bounding acid volcanics and remobilised into the basin sequence. It's likely that both processes operated throughout the geological history of the area leading to the laterally extensive lithium mineralisation.

Lithium clay deposits, such as that found at Big Sandy, are generally large, flat lying, sedimentary deposits that have been enriched by the flow of lithium-rich solutions. Despite having a lower in-situ grade than their hard rock peers, clay style deposits are proving to be a low cost, economically viable source of lithium. Clay based deposits have favourable operating costs as they are characterised by the following;

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

USA Lithium are excited by the recent sampling results at Big Sandy and looks forward to rapidly advancing the project with the help of its highly experienced board and management team.



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

For personal use only

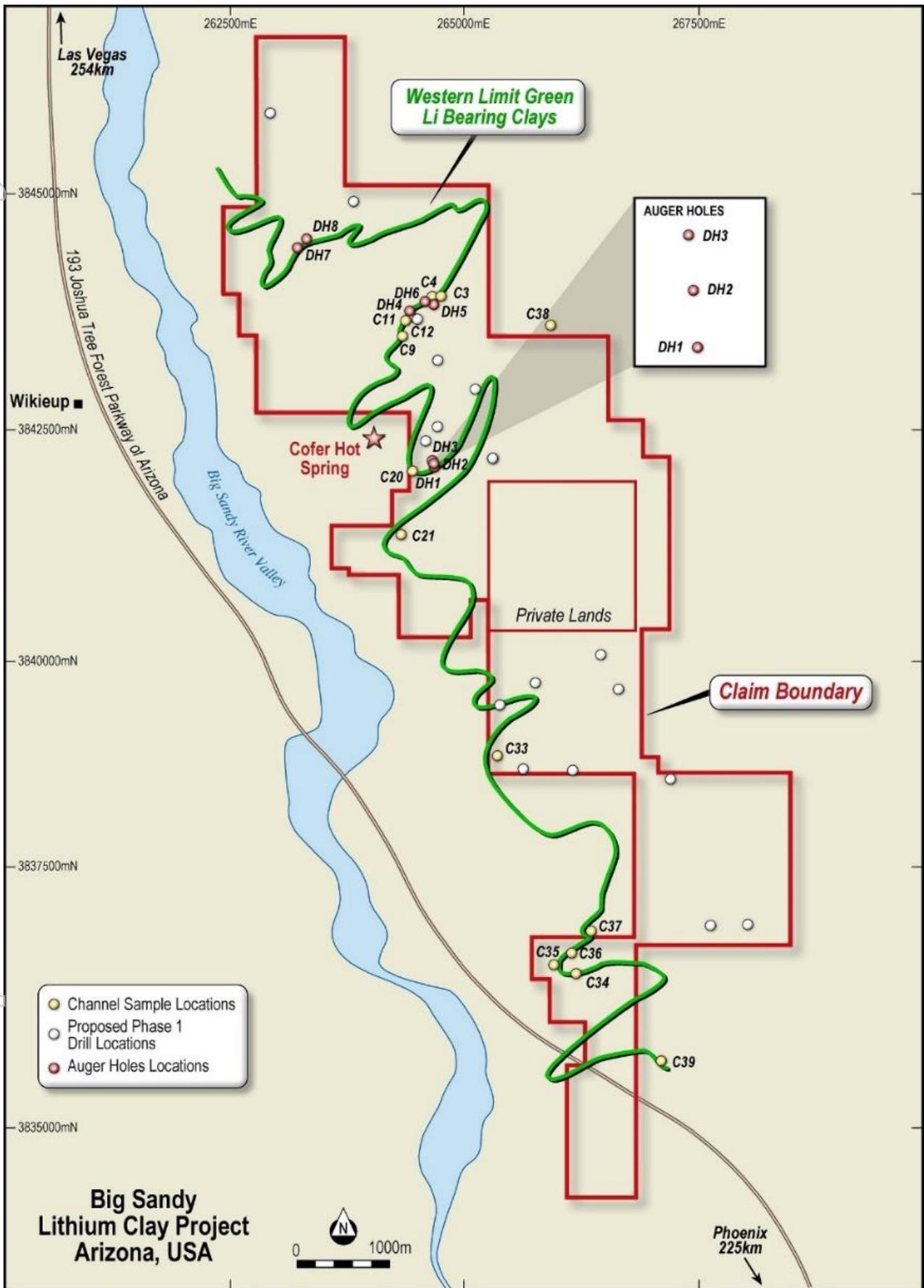


Figure 3 – Big Sandy – Claims Outline and Past Exploration Results

Big Sandy - 2017 Exploration Results

Two phases of exploration were completed in 2017, with both providing highly encouraging results that has accelerated contact with the BLM office located in Kingman Arizona and the filing of a Letter of Intent to complete 17 diamond drill holes to an estimated 100m depth across the project area. Approval for this programme is pending.

The focus for this initial work programme was to identify the possible nature and extent of lithium within the clays, and to identify any horizons of elevated lithium that may become a potential resource subject to further exploration. To assist this mapping of the broad lithological units was considered a priority to assist in understanding the geometry and relationship of the various lake sediments.

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

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

Table 1 – Significant Sample Results from Phase 1 Exploration

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

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

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

Table 2 – Significant Sample Results from Phase II of Exploration

Of the 8 auger holes 7 returned results exceeding 900 ppm lithium and 3 returned results of **2,983, 3,370** and **3,150 ppm lithium**, DH1 to DH3 respectively. These 3 holes are spaced at approximately 35m intervals from south to north testing the same “green clay” horizon (**Figure 4, Figure 5**).

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
DH4	264346E 3843650N	BS17550 - 17551	1,010	Samples top and 0.5m depth
DH5	264586E 3843727N	17552 - 17553	915	Samples top and 0.5m depth
DH6	264522E 3843736N	17554 - 17555	915	Samples top and 0.25m depth
DH7	263163E 3844365N	17556-17558	817	Samples top, mid and 1 m depth
DH8	263259E 3844442N	17559 - 17561	1,020	Samples top, mid and depth 0.8m depth

Table 3 – Summary of Auger Sampling



Figure 4 – Auger sampling at the high grade zone near Cofer Springs.

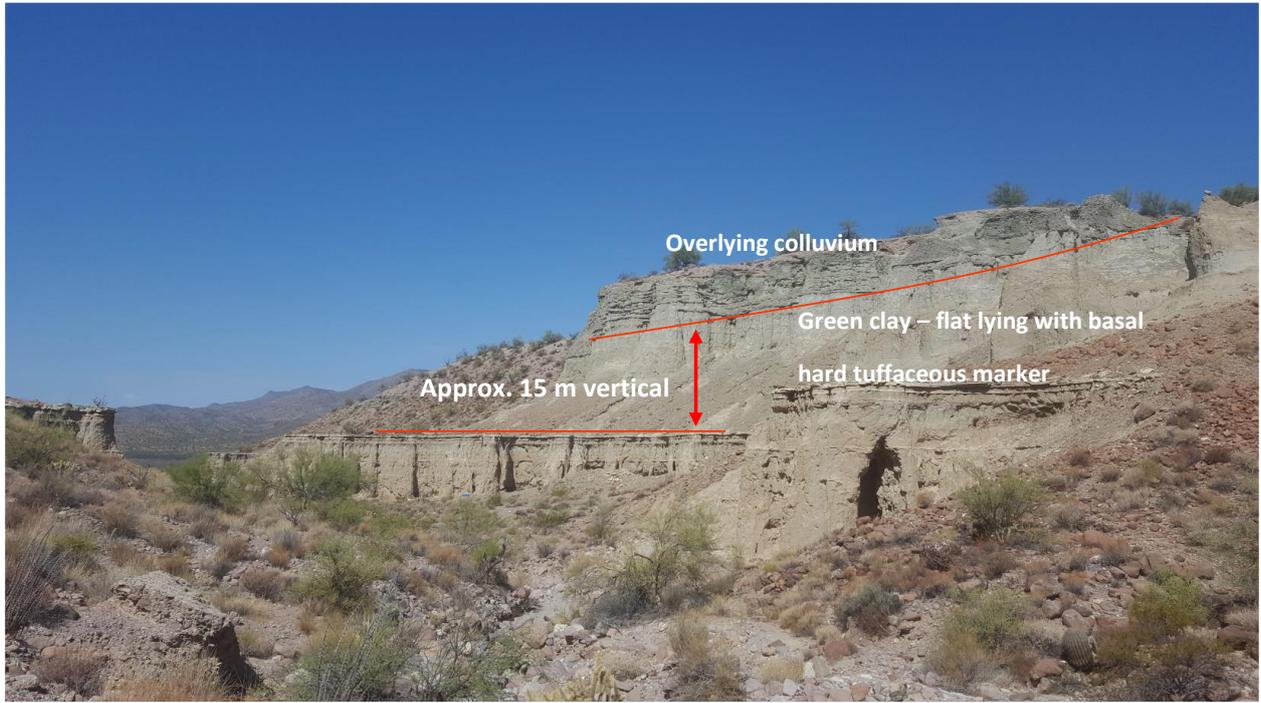


Figure 5 – Big Sandy- Exposure of Green Clays South of main claim block Sycamore Creek, 3km south of Cofer Spring



Figure 6 – Big Sandy- Exposure of Green Clays



Figure 7 – Big Sandy – Channel Sampling (April 2017)



Figure 8 – Big Sandy Green Clay near Cofer Springs

Extraction and Processing

USA Lithium is working with Membrane Development Specialists LLC (**MDS**) to investigate the amenability of Big Sandy's sediments to lithium extraction using new membrane processes. The preliminary findings show that the test materials were amenable to an acid leach, ultrafiltration, nanofiltration and reverse osmosis process to separate the lithium from the test material and remove a large portion of the magnesium and calcium with no rejection of lithium.

The project has similarities at this early stage of exploration with other lithium bearing clay deposits.

- **Bacanora Minerals Limited (TSX-V: BCN, AIM: BCN)**

Market Cap – C\$194M

Sonora Project in Mexico

Recently subject to a Feasibility Study. Existing 43-101 Compliant Mineral Resource of **291 million tonnes** (Measured & Indicated) at greater than 3,250 ppm (0.325%) Lithium, which equates to 5,038kt of lithium carbonate equivalent. (Source Ausenco Services Pty Ltd, *Technical Report on the Feasibility Study for the Sonora Lithium Project, Mexico, January 2018*).

- **Lithium Americas Corp's (TSX: LAC, NYSE: LAC)**

Market Cap – C\$702M

Lithium Nevada Project (formerly Kings Valley Project) in Nevada.

Currently subject to a Preliminary Feasibility Study due for completion by Q2 2018. Existing 43-101 Compliant Mineral Resource of over **300 million tonnes** (Measured & Indicated) at greater than 0.284% (2,840ppm) Lithium or greater than 1.5% lithium carbonate equivalent across two lenses of mineralisation. (Source: *SRK Independent Technical Report for the Lithium Nevada Property, Nevada, USA, June 2016*).

Further work with MDS is planned to determine the appropriate processing solution to optimise the extractability of lithium from the clays.

LORDBURG LITHIUM BRINE PROJECT

Lordsburg comprises 208 BLM claims covering 16.8km² plus a further 147 BLM claims covering a further 11.9km² under application. Lordsburg is located in the southwest corner of the state of New Mexico and is easily accessed along the I10 Interstate between Tucson (Arizona) and La Cruces (New Mexico) close to the New Mexico, Arizona border (**Figure 1 and Figure 9**). Rail lines pass to the north of the Claim Block and through the lake system to the south.

The Lordsburg Playa system is approximately 15km to the southwest of the town of Lordsburg and lies at an elevation of 1,200m above mean sea level.

For personal use only

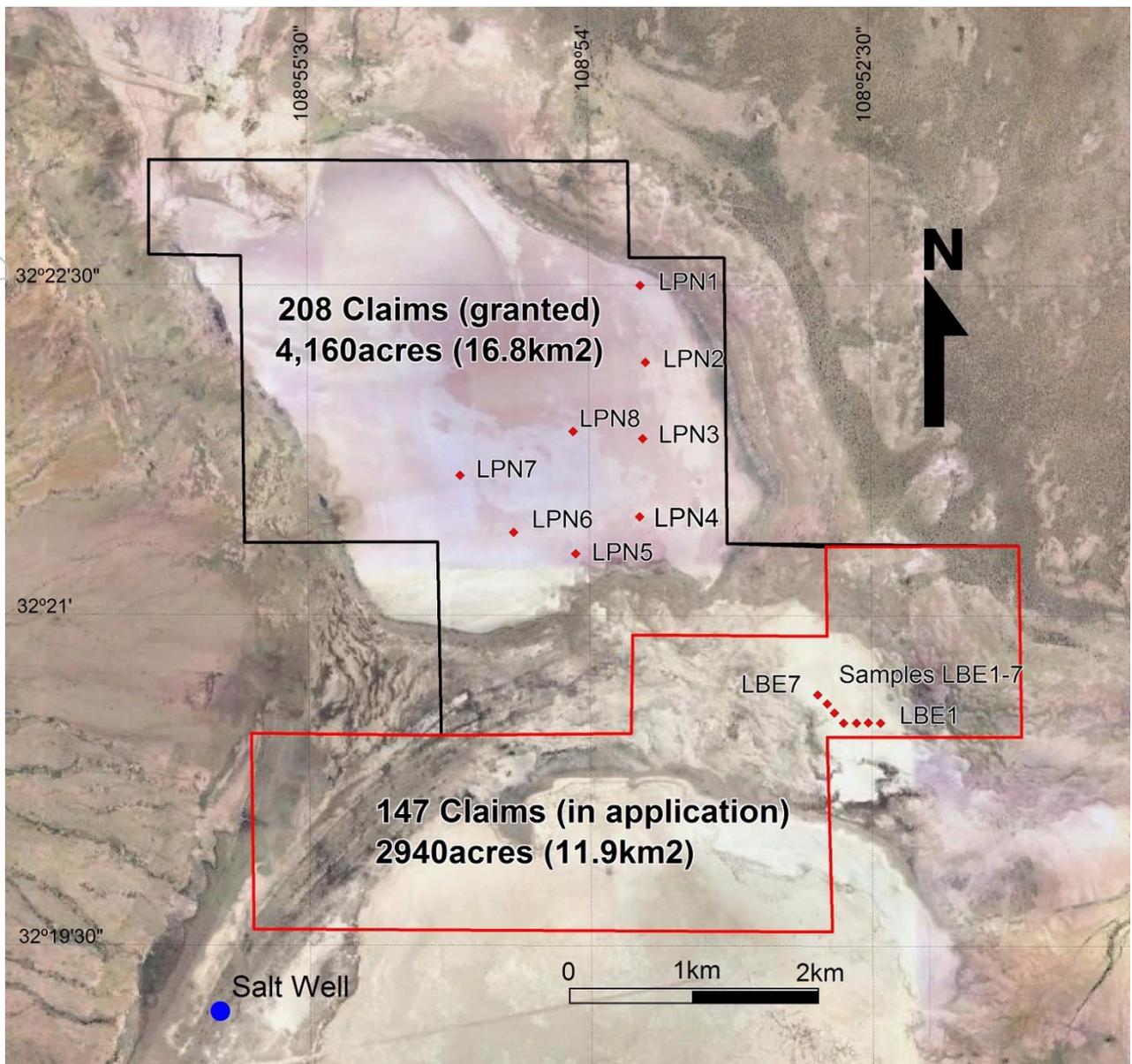


Figure 9 – Lordsburg Claims, Salt Well and Sampling

General Geology

Lordsburg project sits within the playa lake system at the northernmost end of the Animas Valley, southwest New Mexico (Figure 9). The basin is an elongated feature bounded to the west by the Peloncillo mountains and to the east by the Pyramid mountains. The basin comprises clays, silts and sands, similar to the lithological sequence in the Clayton Valley. Further there is anecdotal evidence that highly saline fluids were intersected in a historical stock water well located in the basin.



Figure 10 - The Lordsburg Playa Lakes in New Mexico

The playa is within the main depression of the Animas Valley and is coincident with a broad gravity low suggesting a major basin may be present (Figure 11). Surrounded by tertiary volcanic rocks the valley mimics the Clayton Valley setting.

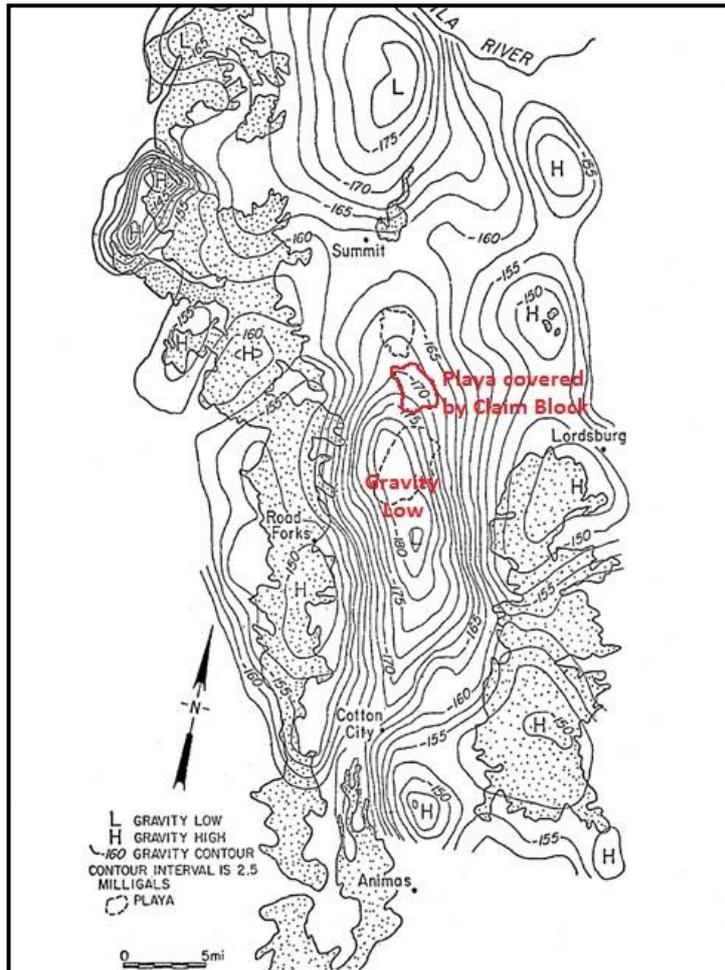


Figure 11 – Regional Gravity – Target Playa

An historic US Geologic Survey map from 1954 shows a windmill that is labelled as a "salt well" in the gravity low that is associated with the playa system (**Figure 12**). The well head was located, and sampling was attempted, but it is blocked at 100 feet. The existence of the well is interpreted as evidence that the subsurface aquifer beneath the playa is salty (brine) and hence the total lack of water wells or any agricultural development near the playa.



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

Previous Sampling

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

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

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

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

INITIAL WORK PLANNED

Big Sandy Project

Subject to the exercise of the Option, Hawkstone would re-analyse the historical data, geological mapping and auger drill results to optimise the exploration programme planned by USA Lithium.

Following this initial program, Hawkstone would move quickly to undertake detailed drilling within the main target area and commence initial metallurgical test-work, with the objective of progressing to resource definition and project scoping study as soon as possible thereafter.

Lordsburg Lithium Project

As with the Big Sandy Project Hawkstone will review the exploration and data compiled to date. It will then undertake drill planning leading to drill testing of the lake system for the presence of Lithium bearing brines.

OPTION AGREEMENT

1. Hawkstone Mining Limited (ACN 008 720 223) (**Buyer**) is granted an option to acquire 100% of the shares (**Company Shares**) of USA Lithium Limited (ACN 623 748 872) (**USA Lithium**) held by the vendors. USA Lithium owns 100% of the shares in US Lithium Pty Ltd (ACN 611 629 728) (**US Lithium**) and New Mexico Lithium Pty Ltd (ACN 621 475 438) (**New Mexico Lithium**).
2. US Lithium owns the 258 BLM claims comprising the Big Sandy Lithium Project and New Mexico Lithium owns the 208 BLM claims plus a further 147 BLM claims under application comprising the Lordsburg Lithium Project (together **Projects**).
3. Pursuant to the terms of the Option Agreement, USA Lithium and a majority of its shareholders (representing approximately 75% of USA Lithium shareholders) (**Majority Vendors**) have agreed to grant the Buyer an exclusive 14-day option (**Option**) to conduct due diligence on USA Lithium, US Lithium and New Mexico Lithium and the Projects for the purpose of determining whether to purchase 100% of the Company Shares (free from encumbrances) (**Acquisition**).
4. The consideration for the Option is a non-refundable payment totalling \$250,000 (**Option Fee**) to be satisfied by the issue of 12,500,000 fully paid ordinary shares in the capital of the Buyer at a deemed issue price of \$0.02 per share, to be issued within 2 business days of the date of the Option Agreement.
5. Upon successful completion of due diligence by Hawkstone and USA Lithium, exercise of the Option, minority vendors executing binding sale agreements, the remaining Lordsburg claims being granted and subject to shareholder approval, the Buyer will issue \$5,000,000 worth of fully paid ordinary shares in the capital of the Buyer equating to 250,000,000 shares at a deemed issue price of \$0.02 per share (**Consideration Shares**) to acquire all the issued capital in USA Lithium.
6. At Settlement, the Company shall reimburse \$100,000 of expenditure already incurred by USA Lithium on the Projects prior to the date of the Option Agreement including due diligence costs during the period between option signing date and completion, subject to the provision of evidence of such expenditure for review and approval to the Buyer's satisfaction (acting reasonably).
7. From the date of execution of the Option Agreement up until Settlement, the Buyer has agreed to fund and/or reimburse USA Lithium in connection with reasonable expenditure incurred and necessary to maintain the claims which comprise the Projects, up to a maximum of \$150,000.

Conditions Precedent

The Acquisition is conditional upon:

1. **Capital Raising:** Completion of a further capital raising by the Company to raise up to \$2,500,000 (before costs) through a placement of shares at an issue price of \$0.02 per share, including the \$500,000 already committed (see below);
2. **Shareholder Approvals:** the Company obtaining all necessary shareholder approvals, including

approval pursuant to ASX Listing Rule 11.1.2 (ASX has determined this rule applies to the transaction);

3. **Regulatory Approvals:** the Company obtaining all necessary regulatory approvals;
4. **Minority vendors:** minority vendors executing binding sale agreements;
5. **Pre-emption rights:** if required, each USA Lithium shareholder waiving all pre-emptive or other rights over any of the shares conferred by the constituent documents of USA Lithium, any shareholders agreement relating to the shares or in any other way (if any);
6. **Lordsburg claims:** the Lordsburg claims presently under application being granted;
7. **Other:** any such other conditions that are necessary in order for the matters contemplated by the Option Agreement to be properly completed.

BOARD CHANGES

Subject to shareholder approval, Mr Paul Lloyd will be joining the Company as Executive Chairman and Mr Klaus Eckhof as a Non-Executive Director.

As part of the transaction and subject to shareholder approval, Hawkstone will issue two separate tranches of 45,000,000 unlisted options each (90,000,000 in total), over shares in the capital of Hawkstone (**Director/Executive Options**).

The Director/Executive Options are to be issued equally to each of Mr Klaus Eckhof, Mr Paul Lloyd and Mr Greg Smith (or their nominees) on the following terms.

1. Tranche 1 - 15,000,000 Hawkstone unlisted options exercisable at \$0.04 per option and expiring 4 years from the date of issue; and
2. Tranche 2 - 15,000,000 Hawkstone unlisted options exercisable at \$0.05 per option and expiring 4 years from the date of issue.

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

Subject to shareholder approval, Hawkstone will also issue two tranches of 2,250,000 unlisted options each, to be split amongst the existing Hawkstone directors (or their nominees) (**Existing Director Options**):

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

Mr Paul Jurman will be appointed joint company secretary.

CAPITAL RAISING

In order to fund the Acquisition due diligence and the Company's immediate working capital requirements, Hawkstone has received commitments from sophisticated investors for 25,000,000 shares at an issue price of 2 cents per share, to raise \$500,000.

Hawkstone will issue these shares under its existing placement capacity in accordance with Listing Rule 7.1 with settlement expected to be on or around 26 March 2018.

Subject to shareholder approval and as a condition of the Acquisition, the Company intends to complete a further placement to institutional and sophisticated investors of 125,000,000 shares at an issue price of 2 cents per share, to raise up to \$2,500,000 (**Capital Raising**).

Longreach Capital is acting as Lead Manager of the Capital Raising.

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

1. Tranche 1 - 15,000,000 Hawkstone unlisted options at an issue price of \$0.0001 each, exercisable at \$0.04 per option, expiring 4 years from the date of issue; and
2. Tranche 2 - 15,000,000 Hawkstone unlisted options at an issue price of \$0.0001 each, exercisable at \$0.05 per option, expiring 4 years from the date of issue, at an issue price of \$0.0001 each.

INDICATIVE CAPITAL STRUCTURE

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

Particulars	Currently on Issue	Option Agreement	Capital Raising	Proforma at Completion
Ordinary Shares	276,127,995	262,500,000	150,000,000 ¹	688,627,995
Options (unquoted)	6,000,000	124,500,000 ²	-	130,500,000

¹ As part of this announcement, the Company has already received commitments to place 25,000,000 shares at an issue price of 2 cents per share to raise \$500,000.

² Director/Executive Options, Existing Director Options and Advisor Options: 62.25M Tranche 1 options with an exercise price of \$0.04 expiring 4 years from the date of issue, plus 62.25M Tranche 2 options with an exercise price of \$0.05 expiring 4 years from the date of issue.

INDICATIVE TIMETABLE

Action	Date
Announcement of Option Agreement	22 March 2018
Payment of Option Fee and \$0.5M of Placement	26 March 2018
Exercise of Option and completion of Due Diligence	4 April 2018
Despatch of Notice of Meeting	Early-mid April 2018
Extraordinary General Meeting	Early-Mid May 2018
Consideration Shares and Placement Shares issued & Appendix 3B	Early-Mid May 2018

KANGWANE PROJECT

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

For further information, please contact:

- Hawkstone - +61 8 6143 6705; or
- Paul Lloyd (Proposed Executive Chairman) - +61 419 945 395.

COMPETENT PERSONS STATEMENT

The information in this report that relates to mineral composition investigations 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.	Sampling has been primarily channel sampling with some random grab samples. It has also included sampling of shallow auger drill holes.
	Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.	Channel samples were collected at 3m intervals along a tape line except where a geological contact required a shorter interval. All samples were 1-2kg taken using the same methodology employing hand tools.
	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.	Surface channel sampling across mapped geological intervals. Weathered clay samples were bagged in calico bags identified by a unique sample number. These samples were dispatched directly to the laboratory.
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 auger drilling discussed in this announcement preceding this table was completed using a one man, petrol driven handheld auger with a 1m long, 100mm wide steel auger. No diamond drilling completed.
Drill sample recovery	Method of recording and assessing core and chip sample recoveries and results assessed.	Auger holes were drilled to refusal, a depth between 0.25m and 1.0m. Material was recovered from the hole by hand.
	Measures taken to maximise sample recovery and ensure representative nature of the samples.	The auger holes were sampled at 25-30cm intervals.

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.	+90% recovery. Clay material, when dry, breaks with a conchoidal fracture and limited fines.
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.	No logging completed as all holes drilled within same unit and were not planned for mineral resource estimation.
	Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography	Not completed.
	The total length and percentage of the relevant intersections logged.	Not completed.
Sub-sampling techniques and sample preparation	If core, whether cut or sawn and whether quarter, half or all core taken.	All material from the auger holes was taken as sample.
	If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry.	Whole auger sample taken for analysis.
	For all sample types, the nature, quality and appropriateness of the sample preparation technique.	Representative of material augered.
	Quality control procedures adopted for all subsampling stages to maximise representivity of samples.	No subsampling undertaken.
	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.	Whole auger sample taken for analysis.
	Whether sample sizes are appropriate to the grain size of the material being sampled.	Sample sizes are appropriate for grain size of material sampled. Lithium hosted in micron scale clay minerals.
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 <i>near total</i> process, a 4 acid digest is used to remove the lithium from the clay prior to analysis. Method ME-MS61 was 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 levels of accuracy (i.e. lack of bias) and precision have been established.	These geophysical instruments are not used in assessing the mineralization within the project. 13 check samples were analysed using a similar sample preparation but an aqua regia digest versus a 4 acid digest. These results are marginally lower but of a similar grade range to the values received from the 4 acid digest.

Criteria	JORC Code Explanation	Commentary
Verification of sampling and assaying	The verification of significant intersections by either independent or alternative company personnel.	All exploration work was completed by external, independent consultants.
	The use of twinned holes.	No twin holes were drilled or have been drilled.
	Documentation of primary data, data entry procedures, data	The data from previous 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 adjustment was made to assay data.
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 $\pm 3\text{m}$ in open ground.
	Specification of the grid system used.	UTM NAD83 Zone 12
	Quality and adequacy of topographic control.	No survey has been undertaken. Hand held GPS coordinates have been utilized to locate sampling to date.
Data spacing and distribution	Data spacing for reporting of Exploration Results.	The auger drilling described in the report preceding this table are random in location and at no specific spacing.
	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 auger drilling described in the report preceding this table are random holes specifically used to determine the lithium grades below the surface oxidation. A diamond drill programme has been planned to further test these horizons.
	Whether sample compositing has been applied.	No compositing has been applied.
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 auger holes were random unbiased holes to a maximum depth of 1m to assess the effects of surface oxidation on the lithium mineralisation. They were drilled wholly within the same clay horizon.
	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 auger holes were drilled in a flat lying clay horizon.
Sample security	The measures taken to ensure sample security.	All samples were sampled and delivered directly to 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: <ul style="list-style-type: none"> 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. 	As the auger holes are a maximum of 1m depth only the easting and northing are supplied in the attached release. No elevations were measured, and all holes were drilled vertical into a similar rock unit.
	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.	Any composite channel results are simple weighted averages with no upper or lower grade truncations.
	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.	Aggregate intercepts are completed on the basis of geology.
	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.	Where thicknesses are stated these are average grades of the channel sampling over the interval sampled. They do not relate to a vertical thickness.
	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').	As above.
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.	Appropriate maps are included.
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.	This release includes results to date and planned exploration activities.
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.	This information will be supplied as the project advances and said data is generated.
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).	Diamond drill testing of the identified priority horizon will be the next phase.
	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.

JORC Code, 2012 Edition – Table 1 – Lordsburg Lithium Brine 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.	At the Lordsburg Project grab samples were taken of playa lake sediments from a depth of approximately 100mm.
	Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.	All samples were 1-2kg taken using the same methodology employing hand tools.
	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.	Samples were bagged in calico bags identified by a unique sample number. These samples were dispatched directly to the laboratory.
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.).	No drilling completed
Drill sample recovery	Method of recording and assessing core and chip sample recoveries and results assessed.	No drilling completed
	Measures taken to maximise sample recovery and ensure representative nature of the samples.	
	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.	
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.	No drilling completed
	Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography	

Criteria	JORC Code Explanation	Commentary
	The total length and percentage of the relevant intersections logged.	
Sub-sampling techniques and sample preparation	If core, whether cut or sawn and whether quarter, half or all core taken.	
	If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry.	Sampled dry and 1-2kg of material taken.
	For all sample types, the nature, quality and appropriateness of the sample preparation technique.	All sampling was similar and would accurately represent the levels of lithium in the surficial sediments
	Quality control procedures adopted for all subsampling stages to maximise representivity of samples.	No sub-sampling
	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.	No duplicates were taken
	Whether sample sizes are appropriate to the grain size of the material being sampled.	Sample sizes are appropriate for the fine grain size of 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 <i>near-total</i> process, a 4 acid digest is used to remove the lithium from the prepared samples. ME-MS61 was used for samples LPN1-LPN8 and Li-ICP61 for samples LBE1-LBE7
	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 levels of accuracy (i.e. lack of bias) and precision have been established.	These geophysical instruments are not used in assessing the mineralization at the Lordsburg Lithium Brine Project. At Lordsburg a 7 sample programme, LBE1-LBE7 returned Li levels similar to those from LPN1-LPN7
Verification of sampling and assaying	The verification of significant intersections by either independent or alternative company personnel.	All exploration work on both project areas was completed by external, independent consultants with the exception of samples LBE1-LBE7 completed by G Smith
	The use of twinned holes.	No drilling completed
	Documentation of primary data, data entry procedures, data	The data from previous 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 adjustment was made to assay data.

Criteria	JORC Code Explanation	Commentary
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 have been set out utilizing hand held GPS units, having an accuracy of $\pm 3m$ in open ground.
	Specification of the grid system used.	UTM84 Zone 12S
	Quality and adequacy of topographic control.	No survey has been undertaken. Hand held GPS coordinates have been utilized to locate sampling to date.
Data spacing and distribution	Data spacing for reporting of Exploration Results.	The samples were taken at broad spaced intervals with limited geological controls
	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 sampling was completed to demonstrate the presence of lithium in the playa lake and is not meant to establish any grade parameters.
	Whether sample compositing has been applied.	No compositing has been applied.
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.	Surface samples only
	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 drilling completed
Sample security	The measures taken to ensure sample security.	All samples delivered directly to 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.	<p>The project consists of 355 mining claims of approximately 20 acres each, physically staked on Bureau of Land Management (BLM), Federally administered land. Of these claims, 208 have been granted by the BLM and are listed on (MASS) a serial registry and been given a unique serial number. The remaining 147 have been staked, BLM and county fees paid and are awaiting the listing by the BLM on MASS.</p> <p>All indigenous title is cleared and there are no other known historical or environmentally sensitive areas.</p>

Criteria	JORC Code Explanation	Commentary
	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: <ul style="list-style-type: none"> • 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. 	No drilling has been done.
	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 results have been composited.
	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.	
	The assumptions used for any reporting of metal equivalent values should be clearly stated.	No metal equivalent values are stated.
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 drilling has been completed.
	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').	As above.

Criteria	JORC Code Explanation	Commentary
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.	As above.
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.	This release includes results to date and planned exploration activities.
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.	This information will be supplied as the project advances and said data is generated.
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).	Basin interpretation followed by drill collar siting will follow. This will enable the completion of a “letter of intent” to be filed with the BLM required before drilling can commence.
	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 sample locations and do not indicate mineralisation or drill locations.