

# AZL COMPLETES ACQUISITION OF PRAIRIE LITHIUM

## HIGHLIGHTS

- Arizona Lithium has completed the acquisition of Prairie Lithium including:
  - Prairie's JORC Inferred Mineral Resource: 4.1 million tonnes of lithium carbonate equivalent (LCE) at 111 mg/L Li: the highest quality inferred lithium brine resource in Canada discovered to date.<sup>1</sup>
  - Proprietary direct lithium extraction technology that removes lithium from brines and ore bodies (encouraging results with Big Sandy material).
- Acquisition represents a 1,200% increase to AZL's global lithium Resource, now 4.4MT of LCE (inferred and indicated).<sup>2-3</sup>
- 100% of AZL shares held by the 3 existing AZL Directors to be voluntarily escrowed for 12 months.

Arizona Lithium Limited (ASX: AZL, AZLOA, OTC: AZLAF) ("Arizona Lithium", "AZL" or "the Company"), a company focused on the sustainable development of the Big Sandy Lithium Project ("Big Sandy", "Project"), is pleased to announce that it has completed the acquisition of Prairie Lithium Corporation ("Prairie Lithium", or "Prairie").

On 21 December 2022, the Company announced that it had entered a binding pre-acquisition agreement (the "Acquisition Agreement") with its wholly-owned subsidiary, 2477827 Alberta Corporation ("CallCo"), its wholly-owned subsidiary, 2477955 Alberta Corporation ("CanCo"), and Prairie Lithium Corporation ("Prairie" or "Prairie Lithium"), a privately held company, pursuant to which AZL agreed to acquire, either directly or indirectly through CanCo, all of the shares of Prairie Lithium ("Prairie Lithium Shares") (the "Transaction").

Zach Maurer, founder and Chief Executive Officer of Prairie Lithium, will join the board of directors of Arizona Lithium as an Executive Director. Mr. Maurer graduated with a BSc in Geology from the University of Regina and is based alongside the resource in Regina, Saskatchewan. Mr. Maurer will be paid an annual base salary of C\$300,000 and will be issued 11,000,000 AZL options exercisable at A\$0.12 each expiring 4 years from date of issue.

### Commenting on the completion of the acquisition, AZL Managing Director, Paul Lloyd, said:

*"We are very pleased to have completed the Acquisition of Prairie Lithium including Prairie's JORC Inferred Mineral Resource of 4.1 million tonnes of lithium carbonate equivalent (LCE) at 111 mg/L Li, which represents the highest quality inferred lithium brine resource in Canada discovered to date. With the acquisition now complete, AZL holds Resources totalling 4.4MT of LCE (inferred and indicated) making it a globally significant dual resource company."*

*Arizona Lithium has also acquired Prairie's proprietary direct lithium extraction technology that removes lithium from brines and ore bodies (already having encouraging results with Big Sandy material). By combining the lithium experience of both AZL and Prairie, we aim to further advance this technology, with C\$1.074m (approx. A\$1.2m) recently received in Canadian government grant funding, which will*

<sup>1</sup> Prairie Lithium – Announcement by AZL (21/12/22)

<sup>2</sup> Announcement Sept 26, 2019, Big Sandy Lithium Project, Maiden Mineral Resource

<sup>3</sup> Prairie Lithium – Announcement by AZL (21/12/22)

be matched with funding from AZL, and is to be invested into Direct Lithium Extraction (DLE) technology development.

Prairie’s Board and management team have significant experience in lithium processing and technology, which will further bolster AZL’s team as we continue to focus on and expedite the sustainable development of the Big Sandy Lithium Project in Arizona in tandem with the Prairie brine project in the Williston Basin. We welcome the whole Prairie Lithium management team to the Arizona Lithium team, and welcome Zach Maurer to the board of directors of Arizona Lithium.

Arizona Lithium has been approached by and has engaged with multiple North American Investment banks in relation to its proposed NASDAQ listing. AZL’s now globally significant LCE resource is perfectly positioned to attract attention from major off-takers in the auto and battery manufacturing sectors in North America and the company finds itself in a rare position of not only having ownership of a large resource but owning and controlling its own Direct Lithium Extraction (DLE) Technology.”

For complete terms regarding the Acquisition, please see Annexure A of this ASX Announcement.

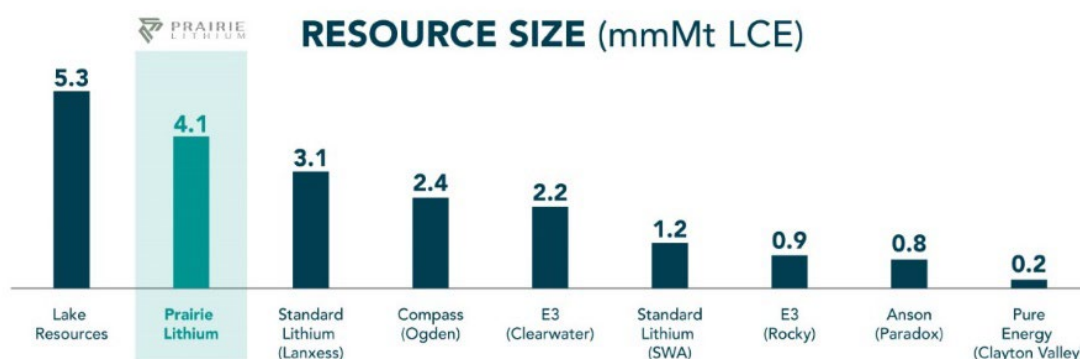
### Prairie Lithium Corporation

Prairie is the owner of a lithium project located in the Williston Basin of Saskatchewan, Canada, and a proprietary lithium extraction process technology that selectively removes lithium from Brine. Prairie’s project holds the highest quality inferred lithium brine resource in Canada discovered to date, with 4.1MT LCE total JORC Inferred Mineral Resources at 111 mg/L Li<sup>4</sup>, with significant expansion potential. Located in one of the world’s top mining friendly jurisdictions, the projects have easy access to key infrastructure including electricity, natural gas, fresh water, paved highways and railroads. The projects also aim to have strong environmental credentials which should result in less use of freshwater, land and waste, aligning with AZL’s sustainable approach to lithium development.

The Prairie Lithium Ion Exchange (PLIX) is an ion-exchange material that selectively extracts lithium from brine, using equipment which is anticipated to be readily available at commercial scale. PLIX may have a global application, with the process currently being tested on lithium resources from around the world (including encouraging results with Big Sandy). While Prairie Lithium continues to develop, scale and operate its own DLE technology, the company is also testing other DLE technologies to ensure it deploys the most cost effective technology onto its resource.

A comparison figure and table (with footnotes) setting out the LCE resources of Prairie Lithium and its peers is set out below:

**Figure 1 – Prairie Lithium’s Resource compares favourably to other Brine Resources**



<sup>4</sup> Refer to Appendix 1 (Summary of 72 subsurface mineral permits where Prairie Lithium has 100% working interest across the Duperow Formation), Appendix 2 (Summary Table of Drill Holes) and the JORC 2012 Table 1 Report in Prairie Lithium – AZL Announcement (21/12/22) for further details.

## Cut-off Grades

The samples are representative of the aquifer in the intersected Duperow Formation with the analysis representing an average intersected grade for that interval. The cut-off grade is then an economic decision on whether to proceed with the drilling of a production well given the recovery factors and the Lithium price at the time.

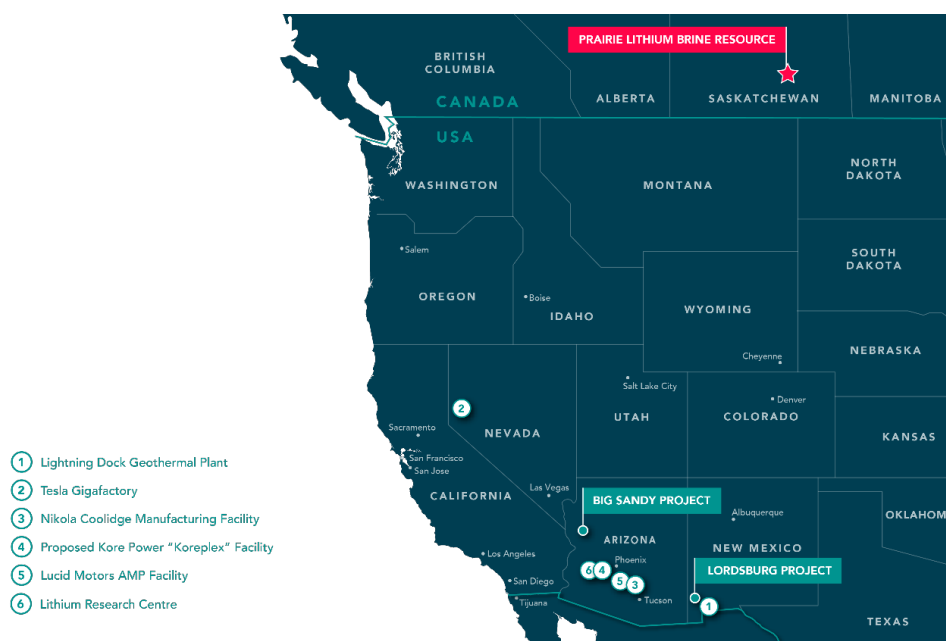
A comparison figure and table (with footnotes) setting out the LCE resources of Prairie Lithium and its peers is set out below:

**Table 1 – Prairie Lithium’s peer Resource summary**

Company Name	Indicated		Inferred		Total	
	Resource (tonnes LCE)	Li Concentration (mg/L)	Resource (tonnes LCE)	Li Concentration (mg/L)	Resource (tonnes LCE)	Li Concentration (mg/L)
Lake Resources <sup>(1)</sup>	2,190,000	202	3,095,000	198	5,285,000	211
<b>Prairie Lithium<sup>(2)</sup></b>	<b>-</b>	<b>-</b>	<b>4,100,000</b>	<b>111</b>	<b>4,100,000</b>	<b>111</b>
Standard Lithium (Lanxess) <sup>(3)</sup>	3,140,000	168	-	-	3,140,000	168
Compass (Ogden) <sup>(4)</sup>	2,401,218	44	45,221	256	2,446,439	48
E3 (Clearwater) <sup>(5)</sup>	-	-	2,200,000	74.6	2,200,000	75
Standard Lithium (SWA) <sup>(6)</sup>	-	-	1,195,000	199	1,195,000	199
E3 (Rocky) <sup>(7)</sup>	-	-	930,000	52.9	930,000	53
Anson (Paradox) <sup>(8)</sup>	239,000	150	549,000	169	788,000	163
Pure Energy (Clayton Valley) <sup>(9)</sup>	-	-	217,700	123	217,700	123

- (1) LKE announcement 11/01/2023
- (2) Prairie Lithium – Announcement by AZL (21/12/22)
- (3) Preliminary Economic Assessment and Upgrade of Mineral Resource (06/19/2019)
- (4) Updated Initial Assessment, Lithium Mineral Resource Estimate, Compass Minerals International (09/14/2022)
- (5) E3 Metals Corp. NI 43-101 Technical Report Preliminary Economic Assessment Clearwater Lithium Project
- (6) Standard Lithium NI 43-101 Technical Report (25/11/2021)
- (7) E3 Metals Corp. NI 43-101 Technical Report Preliminary Economic Assessment for the North Rocky Property
- (8) Anson Resources Definitive Feasibility Study Presentation (09/09/2022)
- (9) NI 43-101 Technical Report Preliminary Economic Assessment of the Clayton Valley Lithium Project Esmeralda County, Nevada

**Figure 2 – Prairie Lithium's resource further diversifies AZL into Canada and brines**



### Arizona Lithium Limited

As announced on 20 June 2022, Arizona Lithium signed a 5-year lease to establish a world class Lithium Research Centre to be located on a 9,700m<sup>2</sup> property in Tempe, Arizona, approximately 15km southwest of Phoenix Sky Harbor International Airport.

The Acquisition strongly complements AZL's strategy to develop a Lithium Research Centre, which will function as a technology incubator focused on the extraction of lithium from a variety of ores and brines, as well as the production of battery-grade lithium chemicals for current and future battery technologies.

### Big Sandy Lithium Project (Arizona)

The Big Sandy Project, a very shallow, flat lying mineralised sedimentary lithium resource and with excellent available infrastructure, has the potential to be developed with a very low environmental footprint.

## JORC Mineral Resource Estimate

Arizona Lithium's successful 2019 drill program at Big Sandy (37 HQ diamond holes totalling 2,881m) resulted in the estimation of a total Indicated and Inferred JORC Mineral Resource of 32.5 million tonnes grading 1,850 ppm Li for 320,800 tonnes Li<sub>2</sub>CO<sub>3</sub><sup>5</sup> (Table 1).

**Table 2 – Big Sandy Project Mineral Resource Statement (above 800 ppm Li cut-off)**

Resource Classification	Tonnes (Mt)	Li Grade (ppm)	Contained Li Metal (t)	Contained LCE (t)
<b>Indicated</b>	14.6	1,940	28,400	150,900
<b>Inferred</b>	17.9	1,780	31,900	169,900
<b>Total</b>	<b>32.5</b>	<b>1,850</b>	<b>60,300</b>	<b>320,800</b>

This represents 4% of the Big Sandy Project area that contains an estimated exploration target of between 271.1Mt to 483.15Mt at 1,000 - >2,000ppm Li<sup>6</sup> (Table 3).

## Exploration Target

Exploration on the Big Sandy Lithium Project including geological mapping, drilling and surface sampling in Blocks B, C and D in the Northern Mineralised Zone (NMZ) and geological mapping and surface sampling in Blocks SMZ 1 and SMZ 2 in the Southern Mineralised Zone (SMZ), have resulted in the identification of the potential for between 271.1Mt to 483.15Mt at 1,000 - >2,000ppm Li as summarised in Table 3 below.

The Exploration Target in Blocks B, C and D in the NMZ, has been estimated using a range of thicknesses for the mineralised sedimentary material, calculated from data point elevations, drill hole data from prior Exploration Target Block A, lying between Blocks B and C, that has been converted to an inferred / indicated mineral resource and geological mapping. The grade estimates a range of values demonstrated from surface sampling.

The Exploration Target in Blocks SMZ 1 and SMZ 2 in the SMZ, has been estimated using a range of thicknesses for the mineralised sedimentary material, calculated from data point elevations, geological mapping and knowledge of the mineralisation controls and alteration witnessed in the NMZ. The grade estimates a range of values demonstrated from surface sampling.

**Table 3 – Summary of Exploration Target**

Zone	Resource Block	Grade Range Li ppm	Thickness Lower (m)	Thickness Upper (m)	Lower (Mt)	Upper (Mt)
North	B	1000 - >2,000	40	60	82,800,000	124,200,000
North	C	1000 - >2,000	20	35	27,000,000	47,250,000
North	D	1000 - >2,000	20	35	39,600,000	69,300,000
South	SMZ 1	1000 - >1,500	30	60	83,700,000	167,400,000
South	SMZ 2	1000 - >1,500	30	60	38,000,000	75,000,000
				<b>TOTALS</b>	<b>271,100,000</b>	<b>483,150,000</b>

*Note that the potential quantity and grade of the estimated geological potential (Exploration Target) is conceptual in nature. There has been insufficient exploration to estimate a mineral resource and it is uncertain whether future exploration will result in the definition of a mineral resource. It has been estimated using a range of thicknesses for the mineralised sediments calculated from drill intercepts, surface sampling and geological mapping. The grade estimates a range of values demonstrated from drilling and surface sampling.*

<sup>5</sup> Announcement Sept 26, 2019, Big Sandy Lithium Project, Maiden Mineral Resource

<sup>6</sup> Announcement Nov 7, 2019, Big Sandy Lithium Project, Exploration Target Update

The Permit of Exploration (POE) that includes a proposed 145 exploration holes and a bulk sample at the Company's Big Sandy Lithium project in Arizona is awaiting Bureau of Land Management (BLM) approval. Community involvement is welcomed to ensure mutually beneficial outcomes for all stakeholders and the Company is very confident that drilling program can be completed without environmental impact and to the satisfaction of all stakeholders. The validity of the proposed exploration target will be tested in the next drilling program. The Company is awaiting drilling approval from the BLM as detailed above.

This announcement has been authorised by the Board.

**For further information please contact:**

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### Competent Persons Statement

The information in this announcement that relates to the Exploration Target is based on and fairly represents information compiled by Gregory L Smith who is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity to which he is undertaking 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 is a consultant to the Company and holds shares in the Company. Mr. Smith consents to the inclusion in this announcement of the matters based on this information in the form and context in which it appears. Information in this announcement which relates to Exploration Results relevant to the Exploration Target has been extracted from the Company’s announcements released to ASX on 28 March 2019, 28 August 2019 and 7 November 2019 and 21 December 2022.

Information in this announcement that relates to Mineral Resources have been extracted from the Company’s announcement released to ASX on September 26, 2019. The announcements are available to view on the Company’s website: [www.arizonalithium.com](http://www.arizonalithium.com). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. 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 announcements.

### Competent Persons statement for Prairie and Registered Overseas Professional Organisation (ROPO) and JORC Tables

Gordon MacMillan P.Geol., Principal Hydrogeologist of Fluid Domains, who is an independent consulting geologist of a number of brine mineral exploration companies and oil and gas development companies, reviewed and approves the technical information provided in the release. Mr. MacMillan is a member of the Association of Professional Engineers and Geoscientists of Alberta (APEGA), which is ROPO accepted for the purpose of reporting in accordance with the ASX listing rules. Mr. MacMillan has been practising as a professional in hydrogeology since 2000 and has 22 years of experience in mining, water supply, water injection, and the construction and calibration of numerical models of subsurface flow and solute migration. Mr. MacMillan is also a Qualified Person as defined by NI 43-101 rules for mineral deposit disclosure.

Information in this announcement that relates Exploration Results or to Mineral Resources have been extracted from the Company’s announcement released to ASX on 21 December 2022. The announcement is available to view on the Company’s website: [www.arizonalithium.com](http://www.arizonalithium.com). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which Mr MacMillan’s findings are presented have not been materially modified from the original market announcement.



## ANNEXURE A – SUMMARY OF KEY TERMS AND CONDITIONS OF THE ACQUISITION AGREEMENT AND PRE-TENDER AGREEMENTS

### Acquisition Agreement

<b>Name of Contract</b>	Acquisition Agreement
<b>Parties</b>	<p>Arizona Lithium Limited                  2477827 Alberta Corporation, a direct Canadian subsidiary of Arizona Lithium (“CallCo”)                  2477955 Alberta Corporation, an indirect Canadian subsidiary of Arizona Lithium (“CanCo”)                  Prairie Lithium Limited</p>
<b>Execution</b>	19 December 2022
<b>Key Conditions Precedent</b>	<ul style="list-style-type: none"> <li>• All required regulatory and other approvals and waivers shall have been obtained (including ASX approvals and approval of the Exempt Relief Application);</li> <li>• Shareholder approval of Arizona Lithium shall have been obtained;</li> <li>• A minimum of 90% of the Prairie Lithium Shares shall have been validly deposited under the Offer;</li> <li>• All convertible securities of Prairie Lithium shall have been exercised, converted or terminated;</li> <li>• The transaction costs on behalf of Prairie Lithium shall not exceed CAD \$600,000;</li> <li>• Prairie Lithium Corporation shall have cash or cash equivalents as at closing of not less than CAD \$250,000;</li> <li>• Special voting shares of Arizona Lithium shall have been created and issued, in order to provide the holders of Exchangeable Shares with voting rights as noted above;</li> <li>• Certain key management members of Prairie Lithium will enter into new employment agreements with Prairie Lithium, including customary non-solicitation and non-competition provisions;</li> <li>• The closing date shall have occurred on or before 31 March 2023;</li> <li>• The 10-day VWAP of AZL Shares shall not be less than AUD\$0.04655 at any time prior to the closing date; and</li> <li>• Other customary conditions, representations and warranties on behalf of each of Arizona Lithium and Prairie Lithium.</li> </ul>
<b>Consideration</b>	<p>The consideration payable for the Prairie Lithium Shares under the Acquisition Agreement and the Offer will be satisfied, at the Prairie Lithium Shareholder’s election pursuant to the Offer, by cash and either: (a) exchangeable shares in the capital of CanCo (and voting rights attaching to a special voting share to be issued to a third party independent agent) (“Exchangeable Shares”); or (b) ordinary shares in the capital of Arizona Lithium (“AZL Shares”). Cash consideration will be \$40 million CAD and the number of Exchangeable Shares, or AZL Shares issuable for each Prairie Lithium Share will be calculated based on an exchange ratio using 500,000,000 AZL shares equally distributed to Prairie shareholders.</p>
<b>Securityholder Approvals</b>	Shareholder approval of Arizona Lithium is required for completion of the Transaction.



<b>Board/Management Changes</b>	At Closing it is expected that Zach Maurer, current director of Prairie Lithium, will join the board of AZL.
<b>Break Fee</b>	<p>In the event that Prairie Lithium or AZL breach certain conditions and covenants under the Acquisition Agreement there is a reciprocal break fee of CAD \$4,000,000.</p> <p>The Break Fee is payable to AZL where AZL terminate the Acquisition Agreement if: the Prairie Lithium Board shall have failed to recommend the Acquisition Agreement; the Prairie Lithium Board shall have withdrawn or qualified, amended or modified in a manner adverse to AZL, the approval or recommendation of the transactions contemplated by the Acquisition Agreement; the Prairie Lithium Board fails to reaffirm its recommendation of the Acquisition Agreement and the transactions contemplated by the Acquisition Agreement within three (3) Business Days after the announcement of any competing acquisition proposal ('Acquisition Proposal') or within two (2) Business Days after having been requested to do so by AZL; Prairie Lithium or the Prairie Lithium Board accepts, approves, endorses or recommends an Acquisition Proposal; Prairie Lithium or the Prairie Lithium Board enters into any agreement in respect of an Acquisition Proposal; or Prairie Lithium or the Prairie Lithium Board proposes or announces its intention to do, or that it has done, any of the foregoing.</p> <p>The Break Fee is also payable to AZL if: the Acquisition Agreement is terminated by either Prairie Lithium or AZL, but prior to such termination an Acquisition Proposal has been announced or made to Prairie Lithium or the Prairie Lithium Shareholders or otherwise disclosed and not withdrawn prior to the closing date under the Acquisition Agreement, and the Prairie Lithium Shareholders do not accept AZL's offer to purchase all of the Prairie Lithium Shares ('Offer') or the Offer is not submitted for their acceptance; and the Prairie Lithium Board shall have recommended, or Prairie Lithium shall have entered into or become party to any contract with respect to, such Acquisition Proposal within 9 months of the date of such termination by Prairie Lithium or AZL.</p> <p>The Break Fee is also payable to AZL if: AZL terminate the Acquisition Agreement where Prairie Lithium breaches any of its representations, warranties, covenants or agreements contained in the Acquisition Agreement except that the right to terminate the Acquisition Agreement shall not be available to AZL if its failure to fulfill any of its obligations in the Acquisition Agreement has been the cause of, or resulted in, the failure of any of the conditions; if Prairie Lithium breaches any of its covenants or agreements in any material respect; or there occurs a material adverse effect in respect of Prairie Lithium; or Prairie Lithium terminate the Acquisition Agreement pursuant to a bona fide written Acquisition Approval being made after the date of the Acquisition Agreement and prior to the closing date of the Acquisition Agreement, which is determined by the Prairie Lithium Board to be more favourable than the Offer.</p> <p>A reverse Break Fee is payable by AZL if Prairie Lithium was to terminate the Acquisition Agreement, where AZL, CanCo or CallCo breaches any of its representations, warranties, covenants or agreements contained in the Acquisition Agreement, which breach or breaches would or would reasonably likely, individually or in the aggregate, give rise to the failure of a condition, except that the right to terminate under this clause shall not be available to Prairie Lithium if its failure to fulfill any of its obligations in the Acquisition Agreement has been the cause of, or resulted in, the failure of any of the conditions.</p>

## Pre-Tender Agreements

<b>Name of Contract</b>	Pre-Tender Agreement
<b>Parties</b>	Separate agreements between Arizona Lithium Limited, CanCo and each Supporting Shareholders of Prairie Lithium Limited holding not less than 60% of shares of Prairie Lithium and each director and officer of Prairie Lithium
<b>Covenants</b>	<p>Securityholder agrees to:</p> <ul style="list-style-type: none"> <li>• not sell or transfer any securities of Prairie Lithium;</li> <li>• accept the Offer made by AZL and CanCo and deposit all shares of Prairie Lithium presently owned and hereafter acquired prior to the expiry time of the Offer;</li> <li>• exercise all convertible securities of Prairie Lithium in accordance with the Acquisition Agreement;</li> <li>• not to withdraw any shares of Prairie Lithium, once deposited under the Offer unless the Pre-Tender Agreement is terminated prior to the take up of the shares by AZL (directly, or indirectly through CanCo), or AZL (directly, or indirectly through CanCo) does not pay for such securities;</li> <li>• not exercise any shareholder rights or remedies available under Canadian law to delay, hinder or upset the Offer;</li> <li>• not take any action that may reasonably be expected to adversely affect the successful completion of the Offer;</li> <li>• if a director of Prairie Lithium and requested by AZL, resign from such position; and</li> <li>• not facilitate, directly or indirectly, any solicitation of an alternative transaction on behalf of Prairie Lithium.</li> </ul> <p>AZL and CanCo agree to:</p> <ul style="list-style-type: none"> <li>• make the Offer in accordance with the terms of the Acquisition Agreement; and</li> <li>• subject to the satisfaction or waiver of the conditions set forth in the Offer, take up and pay for the Prairie Lithium shares owned or controlled by the securityholder deposited pursuant to the Offer.</li> </ul>
<b>Consideration</b>	Mutual covenants included in the Pre-Tender Agreements
<b>Termination</b>	<p>Pre-Tender Agreement may be terminated:</p> <ul style="list-style-type: none"> <li>• if AZL (directly or through CanCo) decreases the consideration offered pursuant to the Offer, changes the form of consideration under the Offer, or otherwise modifies or amends the Offer in a manner materially adverse to the holders of Prairie Lithium shares;</li> <li>• in the event the Acquisition Agreement is terminated in accordance with its terms; or</li> <li>• upon notice of the securityholder, if the closing date has not occurred by 31 March 2023.</li> </ul>