

ASX Announcement

5 December 2022

## STRATEGIC ALLIANCE WITH NAVAJO NATION MINING COMPANY

### HIGHLIGHTS

- **Strategic alliance with Navajo Transitional Energy Company, LLC (“NTEC”), wholly owned by the Navajo Nation.**
- **NTEC to manage all permitting and contract mining services at the Big Sandy Lithium Project.**
- **NTEC to become a substantial AZL shareholder by meeting certain mining development milestones.**
- **Vern Lund, Managing Director of NTEC, to join the AZL Board, further strengthening the Strategic alliance.**
- **NTEC is a world class Energy company that owns the Navajo Mine, operates mines in Montana and Wyoming, and aims to promote the development of the Navajo Nation’s resources and new sources of energy, power, and transmission.**

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 entered a Strategic Alliance Terms Sheet with Navajo Transitional Energy Company, LLC (“**NTEC**”), a limited liability company wholly owned by the Navajo Nation. The Strategic Alliance Terms Sheet outlines the key terms of how it is proposed that NTEC will manage the development of Big Sandy from the permitting requirements for additional exploratory drilling through to Definitive Feasibility Study (DFS) and mine construction. The Terms Sheet allows the commencement of initial work by both parties on the development of the Big Sandy project while providing time for further mutual due diligence (6 months) and the development of a final definitive agreement (as the Strategic Alliance Terms Sheet is non-binding and does not contain all material terms).

**Commenting on the strategic alliance Managing Director, Paul Lloyd, said:** “We are extremely pleased to have entered a Strategic Alliance Terms Sheet with NTEC, as this represents a monumental breakthrough in the sustainable development of Big Sandy. Through our initial agreement, and subject to agreeing definitive agreements, NTEC will take over the operational development of Big Sandy and will manage all aspects from the permitting requirements for additional exploratory drilling process through to mine design, environmental assessments, construction, and contract mining operations for the Project. We look forward to working with such an impressive and professional energy company as we continue to advance Big Sandy to lithium production. I would like to thank shareholders for their support to date and we look forward to an exciting 2023 for Arizona Lithium.”

NTEC is no stranger to mining operations and energy projects like Big Sandy. NTEC owns the Navajo Mine, currently holds a seven-percent interest in the Four Corners Power Plant, and also owns and operates mines in Montana and Wyoming. NTEC’s sole shareholder is the Navajo Nation and was formed with the purpose of promoting the development of the Navajo Nation’s resources and new sources of energy, power, and transmission. NTEC is committed to the development of the economic,

financial, social and cultural well-being of the Navajo People and the Navajo Nation, with its operations providing thousands of jobs and supporting numerous community benefit initiatives.

In fact, this year NTEC was the first company to have a single mine awarded both the “Sentinels of Safety” award from the National Mining Association for outstanding safety performance, and the National Award for Excellence in Surface Mining Reclamation from the Office of Surface Mining Reclamation and Enforcement (OSMRE). Both of these prestigious, national awards underscore NTEC’s commitment to the people and environment of the Navajo Nation, and to creating energy options that will provide sustainable resources for the community.

Both AZL and NTEC are eager to approach the project in a sustainable and equitable way, congruent with the grounding values of the Navajo Nation. Additionally, NTEC and AZL understand the cultural significance of the land near the proposed mining site. The Company plans to work with the Navajo Nation and other Indian Nations to ensure the development at Big Sandy prioritizes appropriate cultural and environmental safeguarding throughout the process.



**Image 1 – AZL and NTEC’s Management team at the Lithium Research Centre in Phoenix, Arizona**

Under the Strategic Alliance Terms Sheet, NTEC Managing Director, Vern Lund will be appointed to the Board of AZL further strengthening the relationship if a definitive agreement is signed.

The other material terms of the Strategic Alliance Terms Sheet are as follows:

- (a) The parties agree to negotiate in good faith to seek to enter into a more definitive agreement where NTEC is to receive remuneration in cash or AZL shares and options to purchase additional ordinary shares, by meeting certain mining development milestones with respect to the Big Sandy Lithium Project.
- (b) NTEC would be entitled to the issue of up to 192 million AZL shares at a notional price of 12 cents per AZL share together with an attaching option as NTEC complete various project milestones such as (subject to completion of the definitive agreement);
  - Approval of NTEC scope of works for environmental base line studies.
  - Preparation of the Plan of Operations to be submitted to the BLM.
  - Completion of the Preliminary Economic Assessment (PEA).
  - Mine planning for the Definitive Feasibility Study (DFS).
  - Final Mine design.
  - Construction of Mine.
- (c) NTEC will be designated as the mine operator and will manage and execute all programs and spending in accordance with an approved budget (as approved by AZL).
- (d) If the terms of the definitive agreement are agreed, this agreement would remain in force for a term of 5 years and thereafter as NTEC continues to perform the necessary works. NTEC and AZL would each be entitled to terminate the definitive agreement on 90 days' notice to the other.
- (e) The mutual due diligence period is 6 months during which either a definitive agreement will be signed or if NTEC decides not to enter into a definitive agreement, AZL may at its option elect to require NTEC to act as a contract miner on terms to be agreed. AZL may decide not to make this appointment in which case the terms sheet is at an end. In this case, AZL would be required to pay NTEC its due diligence costs and costs of negotiation of the definitive agreement. The due diligence period provides exclusivity to NTEC in respect of the negotiations on the matters set out in the terms sheet.
- (f) The terms sheet may be terminated by mutual agreement, by written notice from one party to the other, or by AZL if the definitive agreement is not signed.
- (g) The parties acknowledge that the Strategic Alliance Terms Sheet is non-binding.

I would like to thank shareholders for their support to date and we look forward to an exciting 2023 for Arizona Lithium.

This announcement has been authorised by the Board of Arizona Lithium Limited.

**FOR FURTHER INFORMATION PLEASE CONTACT:**

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**Big Sandy Lithium Project (Arizona)**

The Big Sandy Project, as 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.

Arizona Lithium’s successful 2019 drill program at Big Sandy resulted in the estimation of a total Indicated and Inferred JORC resource of 32.5 million tonnes grading 1,850 ppm Li for 320,800 tonnes  $\text{Li}_2\text{CO}_3^1$ . 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  $\text{Li}^2$ .

*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.*

The Permit of Exploration (POE) that includes 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.



**Figure 1- Arizona Lithium Project Portfolio, including major Li-battery infrastructure in close proximity to Big Sandy and Lordsburg Lithium Projects**

<sup>1</sup> Announcement Sept 26, 2019, Big Sandy Lithium Project, Maiden Mineral Resource  
<sup>2</sup> Announcement Nov 7, 2019, Big Sandy Lithium Project, Exploration Target Update