

ASX ANNOUNCEMENT | 22 March 2023

HUAYOU COBALT MAKES STRATEGIC ~\$2.5 MILLION INVESTMENT IN ASKARI METALS TO ACCELERATE AGGRESSIVE EXPLORATION AT UIS LITHIUM PROJECT



HIGHLIGHTS

- Zhejiang Huayou Cobalt Co., Ltd, through its wholly-owned subsidiary, Huayou International Resources (Hong Kong) Limited (Huayou) has entered a conditional agreement with the Company to make a strategic ~\$2.5 million investment via a subscription for 4,500,000 shares at an issue price of \$0.55 per share (Strategic Investment)
 - o Huayou will also receive an attaching AS20 listed option on a 1-for-3 basis with an exercise price of 25 cents and an expiry date of 31 October 2024
- Huayou is a tier-1 global lithium battery materials and cobalt materials supplier headquartered in China with a market cap of approximately US\$12.8 billion listed on the Shanghai Stock Exchange
- Funds raised from the Strategic Investment will be used to accelerate continued exploration of those tenements relating to the Uis Lithium Project in Namibia that the Company will acquire on completion of the agreements announced by the Company on 25 October 2022 and 5 December 2022 ("Uis Acquisition Agreements")
- Subject to completion of the Strategic Investment, Huayou will support Askari in areas of mutual strategic interest with respect to the Company's Namibian assets including providing technical input and guidance on design parameters of the Company's exploration campaigns and downstream lithium processing techniques
- Additional \$3.25 million also raised via the issue of 6,500,000 shares at an issue price of \$0.50 per share to select Australian and International institutional investors, increasing total funds raised to approximately \$5.725 million (Institutional Placement) (subject to completion of the Strategic Investment and including funds raised pursuant to Huayou's Strategic Investment)
 - o Participants in the Institutional Placement will receive an attaching AS20 listed option on a 1-for-3 basis with an exercise price of 25 cents and an expiry date of 31 October 2024
- Following completion of the Strategic Investment, Institutional Placement and Namibian project acquisitions, Huayou will become a ~6.0% shareholder in Askari Metals



Askari Metals Limited (**ASX: AS2**) ("**Askari**" or "**Company**") is pleased to announce the Company has entered into a Subscription Agreement ("**Agreement**") with Zhejiang Huayou Cobalt Co., Ltd through its wholly-owned subsidiary, Huayou International Resources (Hong Kong) Limited ("**Huayou**") in relation to a strategic investment by Huayou of approximately A\$2.5 million. Completion of the Strategic Investment is subject to completion of the Uis Acquisition Agreements (among other conditions), pursuant to which the Company will acquire indirect interests in EPL 7345 (LexRox Exploration Pty Ltd) and EPL 8535 (Earth Dimensions Consulting Pty Ltd) as approved by shareholders at the General Meeting on 20 February 2023.

Assuming that completion occurs pursuant to the Agreement, Huayou will subscribe for 4,500,000 fully paid ordinary shares in the capital of the Company at an issue price of A\$0.55 per share ("**Strategic Investment**"), representing a premium of approximately 10.0% to the 5-day VWAP of the securities of the Company on 17 March 2023.

Huayou will also receive an attaching AS20 listed option on a 1-for-3 basis with an exercise price of 25 cents and an expiry date of 31 October 2024. This will result in the issue of 1,500,000 AS20 options to Huayou.

The Strategic Investment by Huayou is subject to a 12-month voluntary escrow period pursuant to a binding restriction agreement to be executed with the Company upon completion.

Under the Agreement, Huayou will have over the opportunity to participate in future equity issues by the Company. Huayou intends to grow its equity position in the Company to 9.9% and maintain its equity stake by participating in future security issues by the Company. At the stage Huayou holds a 9.9% equity stake in the Company, it will have the right to appoint a nominee to the board of Askari.

The conditions to completion of the Strategic Investment and other material terms are set out in the Schedule to this announcement below.

Huayou will also support the Company in areas of mutual strategic interest with respect to the Company's Namibian assets, including providing technical input and guidance on design parameters of the Company's exploration campaigns and downstream lithium processing techniques.

In addition to the Strategic Investment from Huayou, the Company has completed an additional equity capital raise of approximately \$3.25 million via the issue of 6,500,000 fully paid ordinary shares in the capital of the Company at an issue price of A\$0.50 per share to select Australian and International institutional investors ("**Institutional Placement**").

This provides an overall blended price of A\$0.52 per share, representing a premium of approximately 4.0% to the 5-day VWAP of the securities of the Company on 17 March 2023.

Participants in the Institutional Placement will receive an attaching AS20 listed option on a 1-for-3 basis with an exercise price of 25 cents and an expiry date of 31 October 2024.

The Institutional Placement was strongly supported by new institutional investors supporting the vision and strategy of the Company to become a leading lithium explorer and developer with potentially world-class assets in low-risk operating jurisdictions.



The Institutional Placement was led by Canaccord Genuity (“**Canaccord**”) as Lead Manager with Peak Asset Management (“**Peak**”) facilitating ongoing investment and support from existing shareholders.

Minmetals Securities (“**Minmetals**”) acted as advisor to the Company in relation to the Strategic Investment.

Assuming that the Strategic Investment occurs pursuant to the Agreement, the Company will have raised total capital of approximately \$5.725 million through the combined completion of the Strategic Investment and Institutional Placement, which will be used to accelerate the continued exploration of those tenements relating to the Uis Lithium Project located in Namibia which the Company will acquire on completion of the Uis Acquisition Agreements over the coming months.

Askari continues to drive exploration across its wider asset portfolio, in line with its objectives as set out in the Prospectus and allocate sufficient funds towards those activities as well as allocate funds towards the Company’s expanding lithium portfolio.

The shares that Huayou is initially acquiring as part of the Strategic Investment (subject to completion of the placement under the Agreement) and the shares to be issued pursuant to the Institutional Placement will be issued using the Company’s pre-approved placement capacity as approved by shareholders at the General Meeting held on 20 February 2023.

The issue of attaching AS20 listed options on a 1-for-3 basis for the Strategic Investment and the Institutional Placement will be completed using the Company’s placement capacity pursuant to ASX Listing Rule 7.1.

The necessary Appendix 3B’s have been lodged.

Participants in the Institutional Placement are institutional investors pursuant to section 708 of the *Corporations Act 2001*. None of the participants in the Institutional Placement are related parties of the Company and Directors of the Company will not be participating in the Institutional Placement.

Participants in the Institutional Placement were identified by Canaccord as the Lead Manager.

Commenting on the Strategic Investment and Institutional Placement, Executive Director Mr Gino D’Anna stated:

“We look forward to completing the Strategic Investment and welcoming Huayou onto the register. Having a tier-1 strategic investor such as Huayou not only adds credibility to our strategy in Namibia, but also supports our vision to identify a major exploration discovery.

The name Huayou is synonymous with the cobalt and lithium sector not only in China, but globally. Huayou has demonstrated a willingness to invest in Africa, which is highlighted by its recent acquisition of the Arcadia Lithium Mine in Zimbabwe for US\$422 million.

It is a significant achievement for Askari to attract the interest of such a tier-1 strategic investor.

Askari has maintained an aggressive and hands-on exploration approach at the Uis Lithium Project, launching a three-phase RC Drilling program across the two projects since November 2022 and the start of



2023. We're aiming to demonstrate the potential scale of mineralisation at the Uis Lithium Project through drilling and exploration campaigns and lead the lithium charge in Namibia.

Accelerating our exploration efforts at the Uis Project supports our goal to deliver a maiden resource as quickly as possible. The Company looks forward to updating shareholders as exploration activities continue."

ABOUT ZHEJIANG HUAYOU COBALT CO., LTD

Huayou is a leading manufacturer of new energy battery materials in China, listed on the Shanghai Stock Exchange with a current market capitalisation of around US\$12.8 billion. Huayou operates four major business segments, including the development and refining of battery metal resources (nickel, cobalt, lithium), production of precursors and ternary cathode materials, and recycling of battery materials.

Huayou has rich experience in mine construction and operation with a well-established team of professionals, including two copper and cobalt projects in the DRC with an annual production of 100kt cathode copper and 10kt cobalt. Additionally, Huayou has invested in three nickel and cobalt projects in Indonesia, with an expected annual production of 225kt of nickel and 23kt of cobalt contained in products by 2024. In April 2022, Huayou acquired the Arcadia lithium project for US\$422 million. The designed annual processing capacity of the project is 4.5 million tons of ore, and the first batch of product was successfully produced on March 20, 2023.

This announcement is authorised for release by the executive board of the Company.

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FOR FURTHER INFORMATION PLEASE CONTACT

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ABOUT ASKARI METALS

Askari Metals was incorporated for the primary purpose of acquiring, exploring and developing a portfolio of high-grade battery (Li + Cu) and precious (Au + Ag) metal projects across Namibia, Western Australia, Northern Territory and New South Wales. The Company has assembled an attractive portfolio of lithium, copper, gold and copper-gold exploration/mineral resource development projects in Western Australia, Northern Territory, New South Wales and Namibia.

For more information please visit: www.askarimetals.com

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This document contains forward-looking statements concerning Askari Metals Limited. Forward-looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward-looking statements as a result of a variety of risks, uncertainties and other factors. Forward-looking statements are inherently subject to business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking information provided by the Company, or on behalf of, the Company. Such factors include, among other things, risks relating to additional funding requirements, metal prices, exploration, development and operating risks, competition, production risks, regulatory restrictions, including environmental regulation and liability and potential title disputes.

Forward looking statements in this document are based on the Company's beliefs, opinions and estimates of Askari Metals Limited as of the dates the forward-looking statements are made, and no obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.

COMPETENT PERSONS STATEMENT

The information in this report that relates to Exploration Targets, Exploration Results or Mineral Resources is based on information compiled by Johan Lambrechts, a Competent Person who is a Member of the Australian Institute of Geoscientists. Mr. Lambrechts is a full-time employee of Askari Metals Limited, who 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. Lambrechts consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.



Schedule - Additional Material terms of Strategic Investment

<p>Parties</p>	<p>Askari Metals Limited (“Company”) Huayou International Resources (Hong Kong) Limited (“Subscriber”)</p>
<p>Conditions precedent to completion</p>	<p>Completion of the Strategic Investment is subject to and conditional on:</p> <ul style="list-style-type: none"> (a) no matter, event or circumstances occurring which would have a material adverse effect on the Company, the Group Companies or their business; (b) the Company providing evidence to the satisfaction of the Subscriber (acting reasonably) that "Completion" or "Settlement" (or such equivalent term as the case may be) has occurred pursuant to Project Acquisition Agreements; (c) the Company providing evidence to the satisfaction of the Subscriber (acting reasonably) that Kokerboom Minerals Processing (Pty) Ltd is the legal and beneficial owner of all the right title and interest to EPL 7345; and (d) the Subscriber receiving all relevant government, regulatory or other approvals required in respect of the Subscription. <p>The conditions precedent must be satisfied on or prior to 30 April 2023.</p> <p>The “Project Acquisition Agreements” being defined as:</p> <ul style="list-style-type: none"> (a) the binding heads of agreement between the Company and LexRox Exploration (Pty) Ltd dated 21 October 2022 in respect of shares in Kokerboom Minerals Processing (Pty) Ltd; and (b) the binding heads of agreement between the Company, Josia Tulongeni Shilunga, Tonehill Pty Ltd, Coreks Super Pty Ltd, Breamline Pty Ltd and Earth Dimensions Consulting Pty Ltd in respect of shares in Earth Dimensions Consulting Pty Ltd dated 5 December 2022.
<p>Spin out interests in the Project</p>	<p>The Company undertakes in favour of the Subscriber that while the Subscriber either itself, or together with its wholly owned subsidiaries) holds at least 6% of the shares in the Company, the Company must not dispose of its direct or indirect interests in the assets of the Uis Lithium Project by way of spin-out, unless the disposee executes a deed of undertaking in favour of the Subscriber (on terms satisfactory to the Subscriber, acting reasonably) that the disposee will comply with the obligations of the Company under this agreement as if the disposee was a party to this agreement in the place of the Company.</p>
<p>Future Equity Offers</p>	<p>The Company agrees to provide the Subscriber with a reasonable opportunity to participate in future equity offers by the Company in priority to but on equivalent terms to other participants in future equity offers, subject to the Company being able to scale back the Subscriber to no more than a 9.9% interest in the Company.</p>



	<p>The obligation shall expire if, after the date on which the Subscriber (either itself, or together with its wholly owned subsidiaries) first holds 9.9% of the issued share capital of the Company, the Subscriber (either itself, or together with its wholly owned subsidiaries) ceases to hold more than 5% of the issued share capital of the Company for longer than a grace period of 15 consecutive days (which may be extended if Huayou is prohibited from acquitting shares in the Company during this period).</p>
Board nominee right	<p>On and from the date that the Subscriber (either itself, or together with its wholly owned subsidiaries) holds at least 9.9% of the total issued shares in the capital of the Company, then the Subscriber has the right to nominate one representative to the Board of the Company at all times when the Subscriber (either itself, or together with its wholly owned subsidiaries) holds at least 6% of the shares for longer than a grace period of 15 consecutive days (which may be extended if Huayou is prohibited from acquitting shares in the Company during this period).</p>
Future Mine Development	<p>This clause applies at all times when the Subscriber (either itself, or together with its wholly owned subsidiaries) holds at least 15% of the shares in the Company.</p> <p>The Company shall not enter into any agreement, arrangement or understanding with any person other than the Subscriber for the purposes of development, construction or mining, or for the purpose of funding any of the foregoing, in respect of the Project (any such agreement being a "Future Development and Mine Construction Arrangement"), unless the Company has given the Subscriber prior written notice of no less than 30 Business Days:</p> <ul style="list-style-type: none"> (a) specifying the terms of the Future Development and Mine Construction Arrangement; and (b) offering the Subscriber the opportunity to provide the Company the funding that is the subject of the proposed Future Development and Mine Construction Arrangement, on terms and conditions that are no less favourable to the Subscriber than the terms and conditions of the proposed Future Development and Mine Construction Arrangement, such offer to be capable of acceptance for no less than 30 Business Days from the date of that notice, and during that period engage in good faith negotiations with the Subscriber regarding the terms of the Future Development and Mine Construction Arrangements offered to the Subscriber.
Warranties	<p>The Company has provided customary warranties to the Subscriber.</p>
No short selling	<p>The Subscriber has undertaken not to engage in any short selling of the Company's shares.</p>



UIS LITHIUM PROJECT BACKGROUND – GEOLOGY AND MINERALISATION

The rocks of the Erongo Region, and specifically the Dâures Constituency, are represented by rocks of the Khomas Subgroup, a division of the Swakop Group of the Damara Sequence which have been intruded by numerous zones and unzoned mineralised pegmatites rich in cassiterite, lepidolite, petalite, amblygonite, spodumene, tantalite, columbite, beryl, gem tourmaline, and rare to sparse sulphides, wolframite, scheelite, pollucite or rare earths.

The Uis and Nainais-Kohero swarm of pegmatites represent the fillings of en-echelon tension fractures that formed as a result of regional shearing. These pegmatites can be described as being pervasively altered or extensively albitised with only relics of the original potassium feldspars left after their widespread replacement by albite. They are remarkably similar in composition, except for the varying intensity of pneumatolytic effects and the introduction or concentration of trace elements during the final stages of crystallisation has resulted in complex pegmatite mineralogies. These pegmatites are found within schistose and quartzose rocks of the Khomas Subgroup, a division of the Swakop Group, which have been subjected to intense tectonic deformation and regional metamorphism.

Detailed geological mapping within the Uis area suggests that the Uis swarm of pegmatites consists of over 80 individual pegmatite bodies. Shearing resulted in spaces being opened within the Khomas Subgroup which were subsequently intruded by pegmatite or quartz veins. Within the Nainais pegmatites high tin values are found in smaller altered mica-rich pegmatites near the pegmatite edges. The pegmatite mineralisation composition changes with distance from the granitic contacts with a mineral crystallisation sequence, which indicates garnet and schorl occurring closest to the granitic contacts, cassiterite and lithium-tourmaline occurring further away therefrom, and the tantalite being associated with lithium-tourmaline and quartz blows.

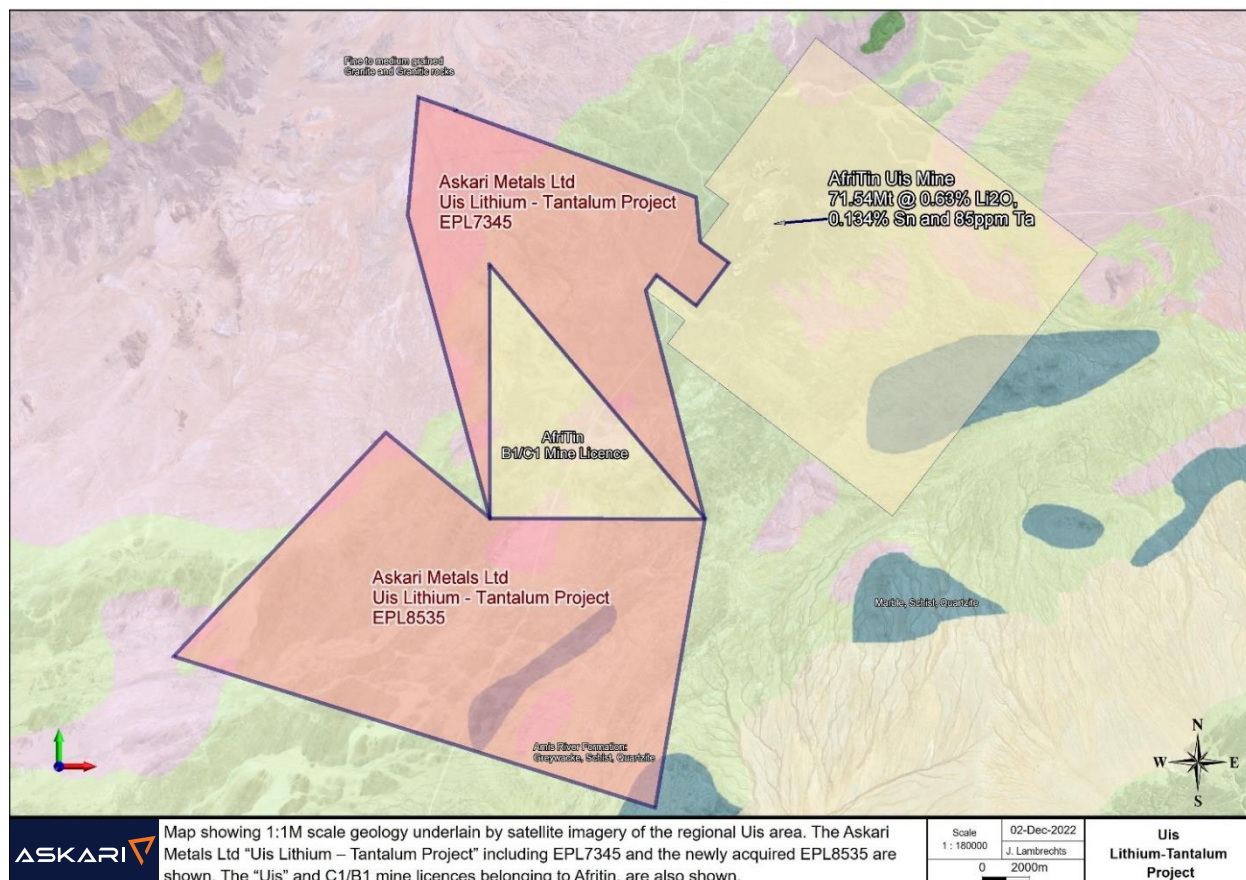


Figure 1: A map showing the geology of the Uis Lithium Project.