

11 January 2023

SQM TO INVEST A\$20M FOR 19.99% OF AZURE

Lithium Potential Attracts Major Strategic Investor

- **Global lithium producer SQM has made an initial A\$4.2M investment in Azure**
- **Subject to the satisfaction of certain conditions precedent, SQM will invest a further A\$15.8M to hold a 19.99% interest in Azure**
- **SQM will invest at a price of \$0.2564 per share, which represents premiums of:**
 - **13.9% to Azure's last traded price of \$0.225 per share on 6 January 2023; and**
 - **12.4% to Azure's 10 day VWAP of \$0.228 up to and including 6 January 2023**
- **SQM's cornerstone investment in Azure is a strong endorsement of the significant lithium potential of the Andover Project**

Azure Minerals Limited (ASX: AZS) ("Azure" or "the Company") is pleased to announce that global lithium company Sociedad Química y Minera de Chile S.A., via its wholly-owned subsidiary SQM Australia Pty Ltd ("**SQM**"), will make a major cornerstone investment of up to A\$20 million to acquire a 19.99% interest in Azure through a two-stage transaction (the "Transaction").

This strategic investment by SQM is a strong endorsement of the lithium potential of the **Andover Project** (60% Azure / 40% Creasy Group) and highlights the upside potential for Andover to grow into a globally significant lithium mining and processing operation.

Commenting on SQM's investment, Azure's Managing Director Mr Tony Rovira said: "We're very pleased to welcome SQM as a substantial and strategic investor in Azure, which demonstrates their strong interest and belief in the lithium potential of the Andover Project. This is a significant milestone event and is a strong endorsement of Azure and our projects by one of the world's leading lithium producers.

"The new relationship will allow Azure to draw upon SQM's technical expertise in pegmatite-hosted lithium exploration, project development, production and marketing, providing Azure with strong support as we look to develop the Andover lithium assets.

"Azure is now in a very strong financial position and, following completion of both tranches of the transaction with SQM, Azure will have a cash balance of more than \$25 million which will be used to accelerate lithium exploration through a program of intensive drilling across the Andover Project."

ABOUT SQM

SQM is a global mining and chemical company with operations in Chile and Western Australia. It is a global leader in lithium, potassium nitrate, iodine and thermo-solar salts markets.

SQM is one of the world's largest lithium producers. In Western Australia, SQM and Wesfarmers Limited (ASX:WES) are joint venture partners in the Mt. Holland lithium project, which will be a unique, fully-integrated operation producing battery-quality lithium hydroxide. The joint venture comprises a mine and concentrator at Mt Holland and a refinery at Kwinana capable of producing approximately 50,000 tonnes of lithium hydroxide per year.

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THE TRANSACTION

In the first tranche of the Transaction, SQM subscribed for 16,381,720 ordinary shares in Azure at a subscription price of A\$0.2564 per share, raising A\$4,200,00 for Azure.

Completion of the second tranche of the Transaction is subject to the satisfaction of a number of conditions precedent including:

- SQM having notified Azure that it has completed and is satisfied with its due diligence investigations into Azure;
- SQM and Azure having entered into an offtake agreement under which SQM is entitled to an offtake right in respect of 25% of all lithium product in which Azure has an interest ("Offtake Agreement") on arm's length and commercially competitive terms.

The conditions precedent must be satisfied within two months from the date of completion of the first tranche under the Subscription Agreement. Either party may terminate the residual obligations under the Subscription Agreement (being the obligation to proceed with the second tranche) where the conditions are not satisfied on or before that date. The Subscription Agreement also contains market standard termination rights exercisable by each party, relating to breaches of warranties provided by the other party or the insolvency of the other party.

On completion of the second tranche under the Subscription Agreement, SQM will subscribe for an additional 61,626,471 ordinary shares in Azure at a subscription price of A\$0.2564 per share, raising a further A\$15,800,000 for Azure.

Following completion of both tranches of the Transaction, SQM will have invested A\$20 million in Azure, will hold 19.99% of Azure's issued capital, and will have become Azure's largest shareholder.

Under the terms of the Subscription Agreement, on and from completion of the second tranche and until such time as SQM no longer holds a voting power of 10% in the issued capital of Azure for 3 consecutive months, SQM will have:

- the right to appoint a Director to the Board of Azure;
- the right to form, with Azure, a Technical Committee to assist and advise in the exploration and development of Azure's lithium projects;
- the offtake rights under the Offtake Agreement;
- the right to be given notice of proposed future equity issues with Azure having to negotiate in good faith to identify whether the terms on which SQM may participate in such equity issues can be agreed; and
- a pre-emptive right to participate in any debt funding transaction or any royalty agreement, streaming agreement or pre-payment agreement proposed to be undertaken or entered into by Azure.

The Subscription Agreement is otherwise on reasonably standard terms and conditions for an agreement of this nature, including with respect to the provision of warranties by Azure and the warranty regime itself.

It is intended that 46,735,191 shares will be issued under the Company's existing 15% placement capacity in accordance with Listing Rule 7.1 and 31,273,000 shares will be issued under Listing Rule 7.1A. The shares issued under the Transaction will rank equally with Azure's existing Shares quoted on the ASX.

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It is the intention of the Company to use the funds raised under the Transaction to accelerate lithium exploration on the Andover Project with a priority to undertake a substantial Reverse Circulation and diamond drilling program to determine the scale of the mineralisation already mapped and sampled at surface. Early stage metallurgical, heritage, environmental, hydrological, and flora and fauna studies will also commence.

ANDOVER PROJECT – Nickel, Copper, Cobalt and Lithium

Located in the West Pilbara region of WA, the Company's Andover Project gives Azure and its shareholders strong exposure to the vital, high-value metals of nickel (Ni), copper (Cu), cobalt (Co) and lithium (Li) necessary for the transition to industry decarbonisation, electrification and battery storage.

Azure has already discovered two Ni-Cu-Co deposits at Andover and released a maiden mineral resource (MRE) for the Andover Deposit of **4.6Mt @ 1.11% Ni, 0.47% Cu and 0.05% Co (1.41% NiEq)**, containing 51,700t of Ni, 21,700t of Cu and 2,290t of Co (refer Appendix 1 and ASX: 30 March 2022). A second MRE for the Ridgeline Deposit is due in Q1 2023.

Recently, Azure announced (ASX: 12 & 19 October and 14 November 2022) that it had identified abundant spodumene-rich, lithium-bearing pegmatites outcropping in an 8km-long, up to 4km-wide corridor within the Andover Project. Surface rock chip sampling confirmed high grades of lithium in outcropping pegmatites, including:

- APRK00037 - 3.32% Li₂O
- APRK00046 - 2.65% Li₂O
- APRK00029 - 1.62% Li₂O

Azure has now embarked on an accelerated growth strategy to advance Andover's multi-commodity opportunity. Lithium exploration will be fast-tracked with a maiden lithium-focused drilling program expected to commence in Q1 of 2023. Nickel exploration and mine development studies on the Andover and Ridgeline Deposits will also continue through 2023.

APPENDIX 1

Andover Deposit: Mineral Resource Estimate by classification (Reported above a 0.5% Ni cut-off at 30 March 2022)

| Classification | Tonnes Mt | Ni % | Cu % | Co % | S % | NiEq. % | Ni Metal kt | Cu Metal kt | Co Metal kt |
|----------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Indicated | 3.8 | 1.16 | 0.47 | 0.05 | 8.23 | 1.51 | 44 | 17.9 | 2.06 |
| Inferred | 0.9 | 0.89 | 0.44 | 0.04 | 6.33 | 1.2 | 7.7 | 3.8 | 0.37 |
| Total | 4.6 | 1.11 | 0.47 | 0.05 | 7.87 | 1.41 | 51.7 | 21.7 | 2.29 |

Notes:

- Mineral Resources are reported in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The Joint Ore Reserves Committee Code – JORC 2012 Edition).
- Data is reported to significant figures and differences may occur due to rounding.
- Mineral Resources have been reported above a cut-off grade of 0.5 % nickel.
- The NiEq calculation represents total metal value for each metal summed and expressed in equivalent nickel grade and tonnes. Commodity prices assumed in the calculation are US\$: nickel \$19,366.6/t; copper \$9,089.8/t; cobalt \$63,107.9/t. The following metallurgical recovery assumptions are based on metallurgical test work and Azure considers they have a reasonable prospect to be achieved: 79% nickel recovery; 70% copper recovery; 68% cobalt recovery.
- NiEq equation = $Ni(\%) + (Cu(\%) \times ((Cu\$/t \times Cu\ recovery) \times 0.01) / (Ni\$/t \times Ni\ recovery)) + (Co(\%) \times ((Co\$/t \times Co\ recovery) \times 0.01) / (Ni\$/t \times Ni\ recovery))$

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This announcement is authorised for release by the Board of Directors of Azure Minerals Ltd.

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COMPETENT PERSONS STATEMENTS

Information in this report that relates to previously reported Exploration Results has been cross-referenced in this report to the date that it was originally reported to ASX. Azure Minerals Limited confirms that it is not aware of any new information or data that materially affects information included in the relevant market announcements.

The information in this report that relates to Mineral Resources for the Andover Deposit was first released to the ASX on 30 March 2022 and is available to view on www.asx.com.au. Azure Minerals Limited confirms that it is not aware of any new information or data that materially affects information included in the relevant market announcement, and that all material assumptions and technical parameters underpinning the estimates in the announcement continue to apply and have not materially changed.

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