

ASX Announcement

7 November 2024

LITHIUM DRILLING UPDATE

HIGHLIGHTS

- Exploration Drilling is complete at Prairie Pad #3, targeting the Souris River Formation and Dawson Bay Formations.
- Exploration Completion activities are now underway at Prairie Pad #3 and results will be released upon analysis.
- Pad #3 is the third pad of three pads detailed in the Preliminary Feasibility Study (PFS) released in December 2023¹, and will have a target production of 2,000 tonnes per annum (tpa) of Lithium Carbonate Equivalent (LCE)².
- The Company can convert the well on Pad #3 into a future production or disposal well for future production at Pad #3.
- Drilling wells on each pad is a key part of the path to production.
- As detailed in the PFS, each pad has a Net Present Value (NPV) of approximately US\$150 million¹.
- United States District Court for the District of Arizona has granted a preliminary injunction to halt the approval granted by the BLM for the exploration drilling at Big Sandy until the case is fully resolved.

Arizona Lithium Limited (ASX: AZL, AZLO, OTC: AZLAF) (“Arizona Lithium”, “AZL” or “the Company”), a company focused on the sustainable development of two large lithium development projects in North America, the Prairie Lithium Project (“**Prairie**”) and the Big Sandy Lithium Project (“**Big Sandy**”) is pleased to provide an update on the drilling activities at both projects. Drilling is complete at Pad #3, where an exploration well has been drilled targeting the Souris River and Dawson Bay formations that underlay the Duperow Formation (Figure 2). Exploration completion activities are now underway at Pad #3. This well has the ability to be converted into a future production or disposal well, a key part of reaching commercial production at the Well Pad. The company wishes to inform shareholders that the United States District Court for the District of Arizona has granted a preliminary injunction to halt the approval granted by the BLM for the exploration drilling at Big Sandy until the case is fully resolved.

Arizona Lithium Managing Director, Paul Lloyd, commented: “This well drilled on Pad #3 represents the finality of our successful drilling program for 2024. Flow testing will continue across our wells on Pad #2 and Pad #3 as we finish up our remaining exploration field work for 2024. Given the speed of development at the Prairie Project we are confident in hitting our goal of production of Lithium products in 2025, which is now the Company’s primary focus. Following the decision made by the District Court at Big Sandy, the Company is considering the next steps in the process of obtaining drilling approvals after consulting with its US and Australian lawyers.

We are very proud of the efficiency and effectiveness of the Prairie drilling program this year. We have continued to develop the Prairie project during a difficult period in the lithium cycle. By spending \$18.4 million dollars during the year, we have separated AZL from many other Companies in the Lithium industry. This has not gone unnoticed in the industry and has in fact drawn attention to a project with a world class resource, significant pilot and process testing and a pathway to production by the end of 2025.

Now that the subsurface work is complete, we look forward to adding shareholder value during the construction phase in 2025.

We understand that all the value placed by the market on AZL, relates to the Prairie brine project and we will remain focused on production by the end of 2025. Big Sandy remains a core project and these small set backs only strengthen our resolve to ultimately produce from Big Sandy. We look forward to working with the pro-business Trump administration when they take control of the White House in January 2026.”

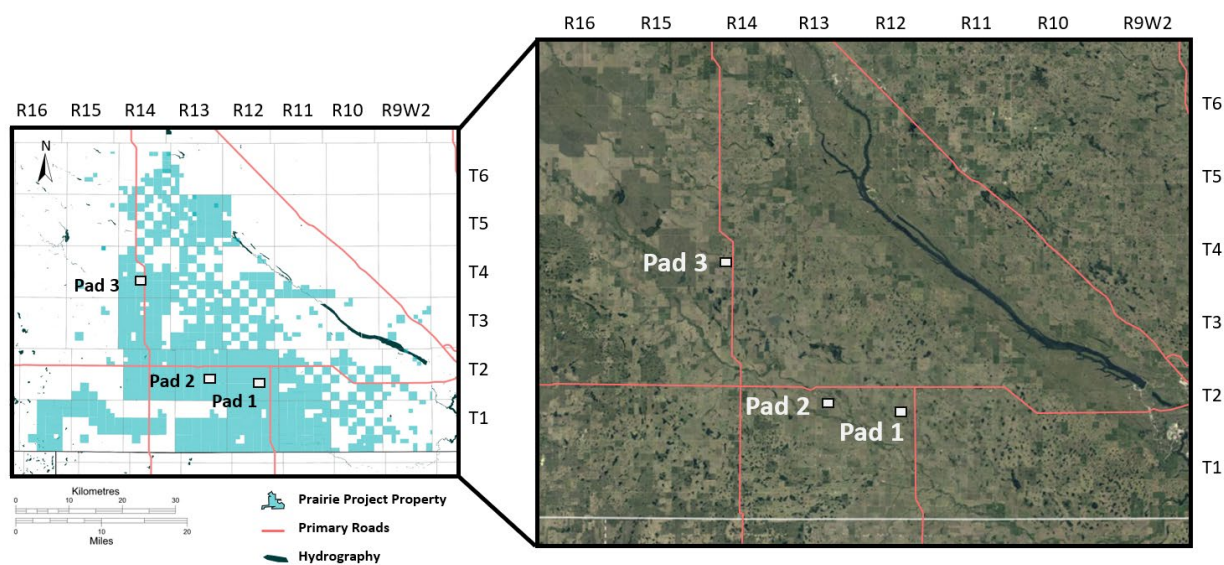


Figure 1: Pad Locations



Figure 2: Drilling Rig at Pad #3

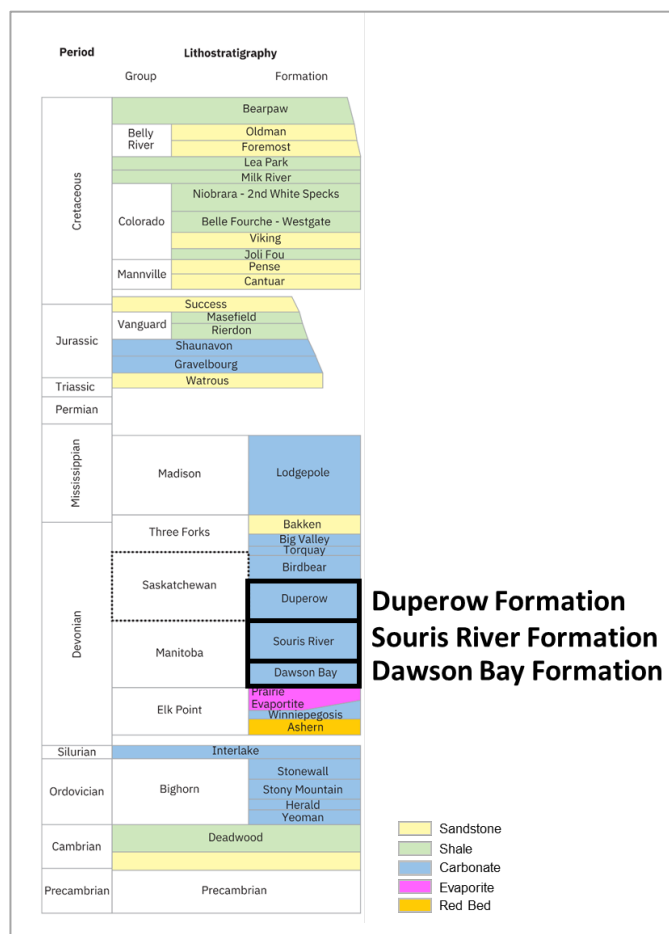


Figure 3: Simplified Stratigraphic Chart

A video of the drilling work on Pad 3 can be found at: <https://youtu.be/ySH4PzOfzII>

Court action

As noted in the announcement on 7 August 2024 and 21 August 2024, and notwithstanding the BLM approval received on 11 July 2024 after an extensive process, the Company was provided with a copy of a “complaint” by the Hualapai Tribe lodged in the United States District Court for the District of Arizona. The complaint seeks (amongst other things) orders that the BLM violated the relevant legislation in issuing its approval and authorising the Big Sandy Project and is seeking to set aside and vacate the approval. AZL was not a party to the complaint however AZL’s motion to intervene was successful and it has been added as a party to the action and can assist with the defence of the complaint.

The Court granted an order that temporarily halted the authorisation granted by the BLM until a full evidentiary hearing. That hearing was held on 17 September 2024. The effect of that order was that exploration drilling at the Big Sandy Project was temporarily halted until the outcome of this hearing.

On 5 November 2024, the United States District Court for the District of Arizona handed down its decision and granted a preliminary injunction to halt the approval granted by the BLM for the Exploration Plan at Big Sandy until the case is fully resolved.

The Company notes that this is only a preliminary injunction, and amongst other things, all the plaintiff had to show is a reasonable probability of success on the merits, that there is a likelihood of irreparable harm and, as the government is a party to the action, the court had to consider together whether the balance of equities are in favour of the plaintiff and whether the public interest favours injunctive relief.

The Company is in the process of evaluating in detail the implications of the court's decision and its next steps and will update the market as required.



Figure 4 – Location of the Big Sandy Lithium Project, Arizona, USA.

This ASX announcement is authorised for release by the Board

FOR FURTHER INFORMATION, PLEASE CONTACT:

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References

1. ASX Announcement: "Prairie Lithium PFS Confirms Extremely Low Operating Costs of \$2,819 USD per tonne" – 29 December 2023.
2. Information in this announcement that relates to Production Targets have been extracted from the Company's announcement released to ASX on 29 December 2023. 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 these Production Targets, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.