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ASX Limited - Company Announcements Platform

ARMADA METALS LIMITED (ASX: AMM)

ARMADA SIGNS BINDING TERM SHEET WITH MIDWEST LITHIUM LIMITED

Highlights:

- A binding agreement has been signed to acquire 100% of the issued capital of Midwest Lithium Limited.
- Midwest Lithium is a mineral explorer, targeting the exploration and development of hard rock lithium projects in the USA.
- On completion, Midwest shareholders will hold 50% of the enlarged post capital raising, issued share capital of Armada.
- The transaction is subject to satisfaction of certain conditions, including execution of long form agreements and the completion of satisfactory legal, financial, tax and technical due diligence by Armada.
- Prior to completion, Armada will undertake an equity capital raising of not less than A\$5 million. Strata Investment Holdings Plc, one of Armada's largest shareholders, has agreed to underwrite A\$2.5 million of the capital raise with the raise also being supported through a mandate with Canaccord Genuity and SCP Resource Finance.
- Midwest has existing cash of approximately US\$450,000.
- The transaction supports Armada's strategy to discover new sources of critical metals.

Armada Metals Limited ('Armada' or 'Company') is pleased to announce that it has entered into a binding term sheet ('Term Sheet') to acquire 100% of the issued capital of Midwest Lithium Limited ('Midwest') ('Proposed Transaction'). The Term Sheet sets out the agreed framework and key terms under which Armada, Midwest and key major Midwest shareholders will seek to conclude formal long form agreements to implement the Proposed Transaction.



Commenting on the signing of this deal for Armada, Rick Anthon, Non-Executive Chairman said:

"This is a transformative deal for Armada and the Company's shareholders. While we remain committed to our projects in Africa, we will be acquiring drill-ready lithium pegmatite projects in South Dakota, USA, where we will aim to generate rapid and successful exploration results. This is an exciting new opportunity that builds on our existing in-house experience in the lithium sector which will greatly assist us in realising the potential of these highly prospective projects and developing domestic lithium supply in the United States."

About Midwest:

Midwest is an Australian company which has been established as the holding entity for various hard rock lithium projects in the USA. Midwest currently holds, or has the right to acquire, a 100% interest in 1,098 unpatented lode mining claims covering approximately 93km², located in the Black Hills of South Dakota, USA, with options to acquire a further 6 patented lode mining claims in the region (refer to Figures 1 and 2).

In October 2023, Midwest received conditional approval for admission to the Official List of the ASX. Midwest decided not to proceed with the initial public offering due to various market factors, including a drop in spodumene prices.

Black Hills is currently an exciting focus for renewed lithium project exploration and development, with several companies actively exploring in the region, including Iris Metals (ASX: IR1), Patriot Lithium (ASX: PAT) and United Lithium (CSE: ULTH) (refer to Figure 2). Midwest, a first mover in the region, holds or has option over a significant, strategic ground-holding with drill-ready projects/targets within drill-permitted land.

About Black Hills:

The Black Hills¹ are a world-class lithium district, with some of the first spodumene processing plants and an important source of lithium worldwide in the first half of the 20th century until the 1950s when the demand for lithium fell and lithium mines shut down in the region. During operations, the Black Hill mines reportedly produced at least 70,000t of spodumene concentrate at 6% Li₂O; lepidolite, amblygonite and other minerals were also produced from the different prospects.

Approximately 24,000 intrusive pegmatite bodies have been emplaced throughout the Black Hills, some of which are zoned and carry lithium mineralisation. Identifying mineralisation tends to be easier than other lithium regions worldwide as many of the mineralised pegmatite dykes are outcropping and spodumene can be observed at surface.

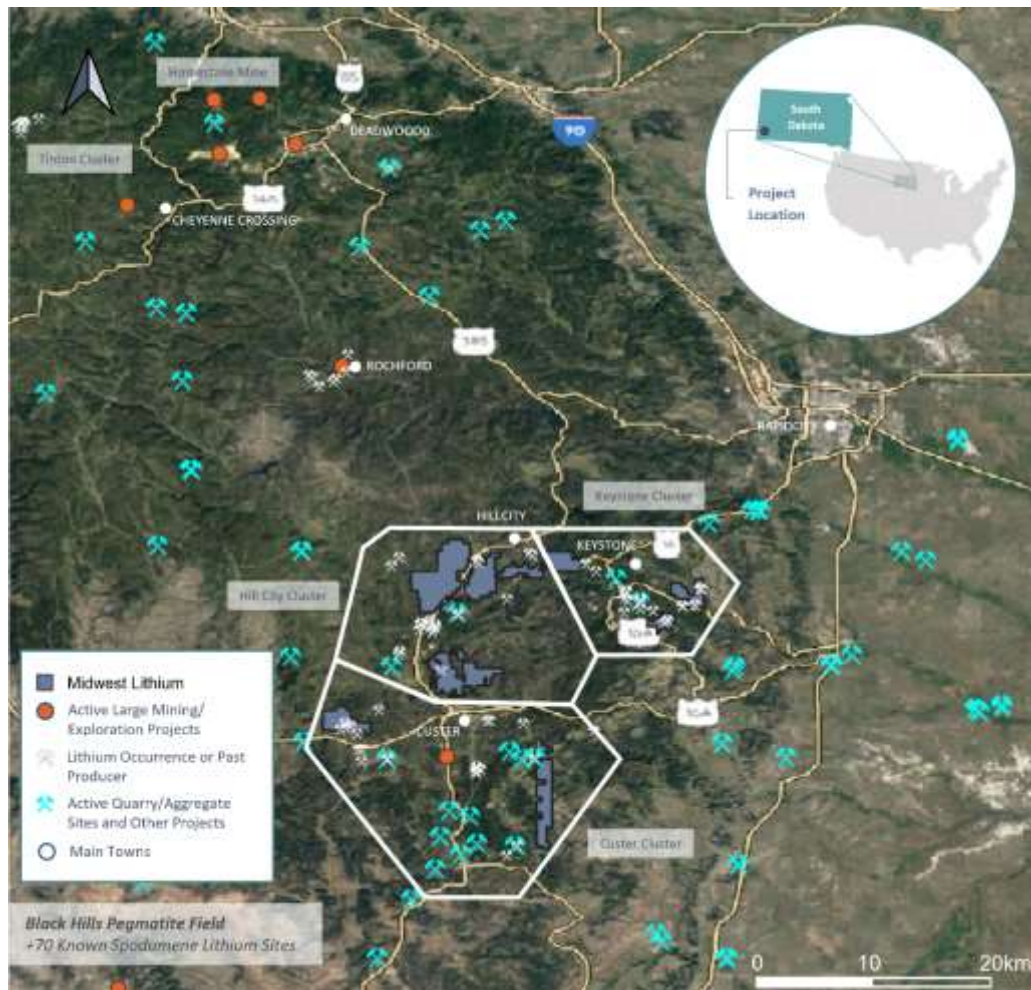


Figure 1: Black Hills lithium occurrences (Source: United States Geological Service Minerals Resources Data System)

The majority of known lithium occurrences, and past producing mines, sit in the southeast of the Black Hills, located around the Harney Peak Granite, where Midwest holds, or has the rights to hold, mining claims (refer to Figures 2 and 3).

¹ Various public information referenced in an Independent Geologist's Report prepared for Midwest by AMC Consultants (Pty) Ltd in July 2023.

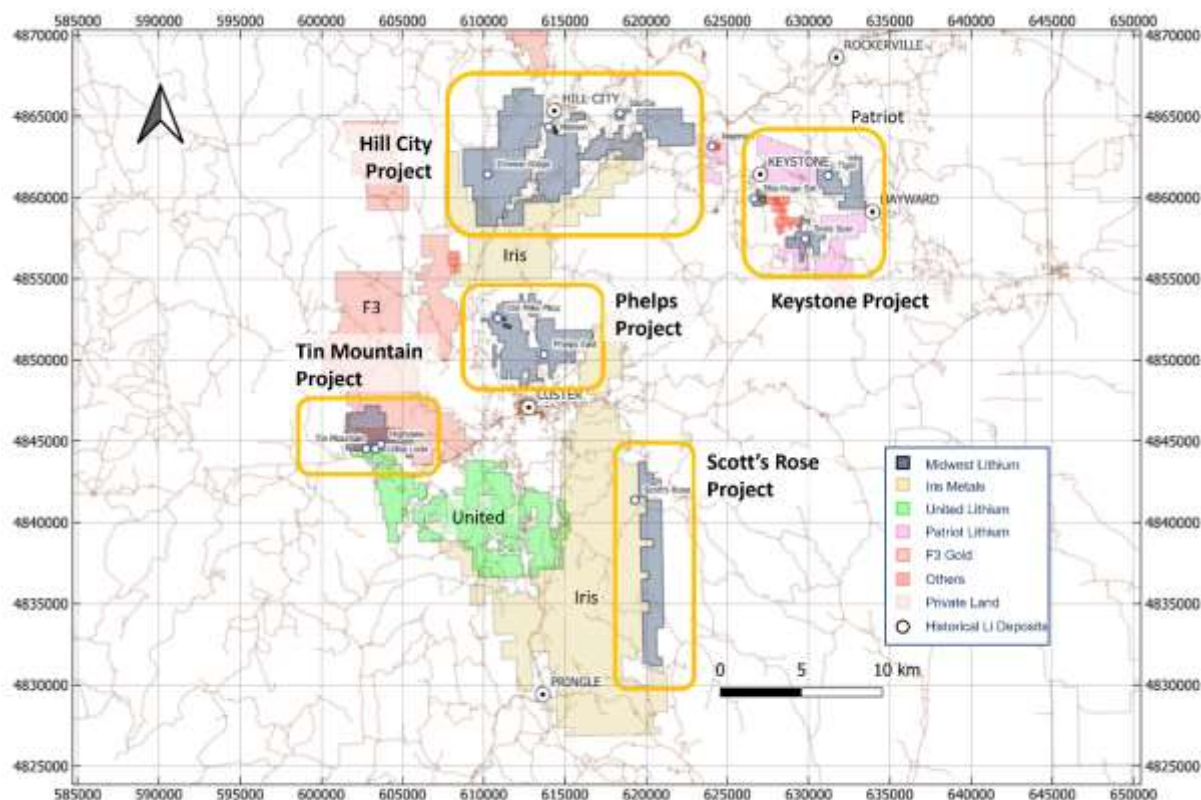


Figure 2: Midwest mining claims, and other regional operators², in the Black Hills region, South Dakota, USA (NAD83)

Projects Overview:

Midwest's projects are all located in the Black Hills of South Dakota, USA and have been grouped into five areas (*refer to Figure 2*): Keystone, Hill City, Phelps, Tin Mountain and Scott's Rose.

Midwest's exploration activities to date include mapping, channel and grab sampling of prospective pegmatites, handheld LIBS and XRF sampling, grid geochemical sampling, compiling historical information, mainly based on US Geological Service reports, developing a pegmatite fraction zonation map, and assaying of collected rock grab samples. The near-term focus will be drilling properties already permitted for drilling.

² Based on publicly available data effective August 2023.



Significantly, Midwest's projects include two priority targets^{1,3}:

- Mateen (located within the Hill City project area), drill ready and located within patented private ground within a zone of historical production (reportedly producing 34,000t of 1.2% Li₂O).
- Ingersoll (located within the Keystone project area), a property containing five known and identified outcropping pegmatite bodies in an area of historical mining and processing, to be rapidly explored to fast-track drilling.

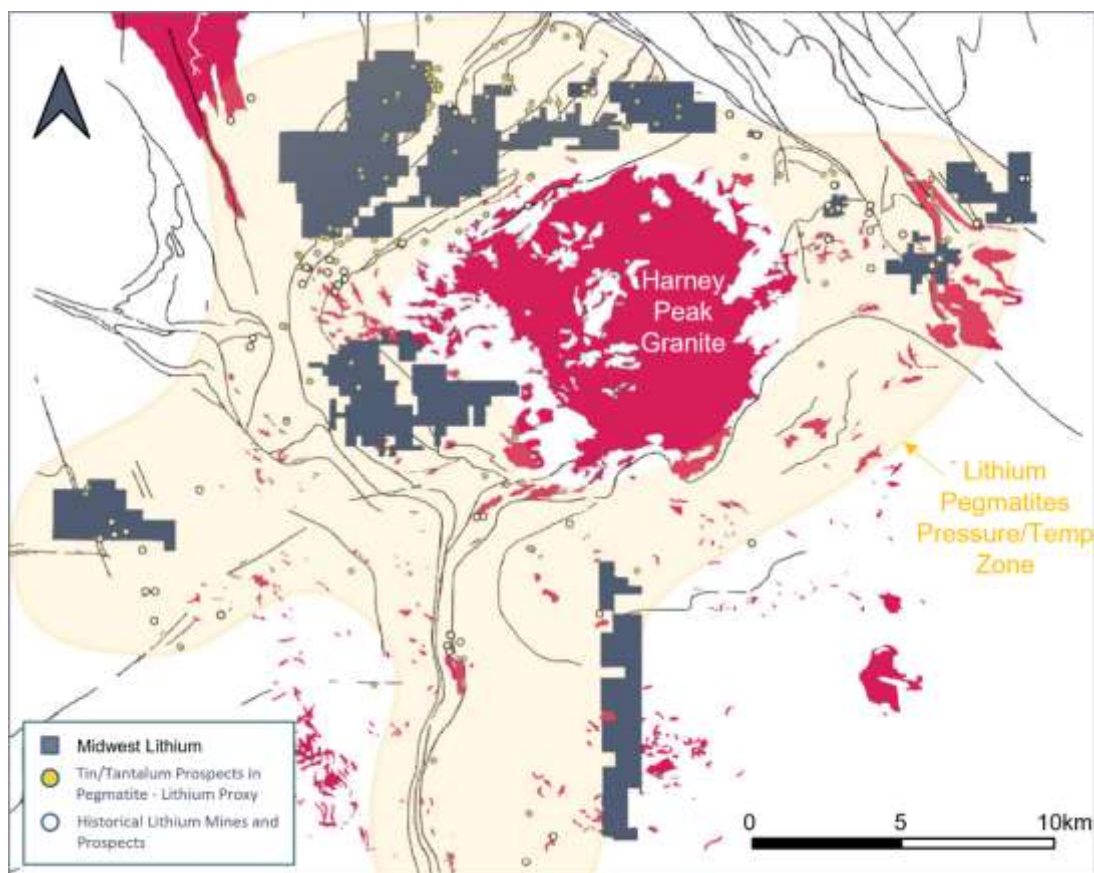


Figure 3: Prospective areas for LCT connected to the Harney Peak Granite.

³ The Company advises that further exploration work is required to confirm the abundance and economic potential of any mineralisation referred to herein given the early stage of the project.



Transaction Overview:

The Term Sheet sets out the framework and key commercial terms upon which Armada and Midwest will seek to pursue the Proposed Transaction. Set out below is a summary of the terms and conditions upon which the transaction is proposed to proceed:

- Armada will acquire 100% of the issued capital of Midwest in consideration for the issue of fully paid ordinary shares in Armada equal to 50% of the enlarged capital of Armada on completion (**'Consideration Shares'**);
- The Consideration Shares to be issued to key major Midwest shareholders will be subject to voluntary escrow restrictions for a period of 12 months from their date of issue;
- Completion of the Proposed Transaction will be conditional on:
 - Armada completing legal, financial, tax and technical due diligence enquiries to its satisfaction;
 - Armada and relevant Midwest shareholders negotiating and executing formal long form agreements to fully record the terms of the Proposed Transaction;
 - the parties obtaining all necessary regulatory and third-party approvals, authorisations, consents and confirmations to complete the Proposed Transaction, including Armada shareholder approval to issue the Consideration Shares and Midwest shareholder approval; and
 - the underwriting provided by Strata Investment Holdings pls (**'Strata'**) in respect of the Capital Raising continuing to be in force and effect;
- Armada will undertake an equity capital raising to raise additional capital for exploration, drilling and working capital purposes of not less than \$5 million (**'Capital Raising'**). Strata has agreed to underwrite A\$2.5 million of this raise. Canaccord Genuity and SCP Resource Finance have been engaged by Armada to act as Lead Managers for the Capital Raising;
- Subject to shareholder approval, Armada senior management will be issued options to acquire new ordinary shares in Armada, each with an exercise price equal to a 67% premium of the issue price of shares under the Capital Raising and expiring 5 years from the date of issue. The total number of options to be issued will represent 10% of the fully enlarged issued share capital of Armada post-completion;
- On completion of the Proposed Transaction, the Armada board of directors will be reconstituted with a total of five directors as follows, of which three will be nominated by Armada and two will be nominated by Midwest:

Armada Nominees:

- Rick Anthon, Non-Executive Chairman;



- Martin Holland, Managing Director;
- Michael McNeilly, Non-Executive Director;

Midwest Nominees:

- Daniel Smith, Non-Executive Director; and
 - Michael Schlumpberger, Non-Executive Director and Chief Operating Officer (US).
- other customary representations, warranties and undertakings for a transaction of its nature.

The parties have also agreed to mutual exclusivity arrangements for a period of 30 days, to allow the parties to undertake due diligence and progress formal long form agreements.

Martin Holland (Executive Director) and Murray Brooker (Technical Advisor) will be conducting a site visit to South Dakota and the Midwest properties during the week commencing 27 May 2024 as part of the due diligence process.

Armada remains committed to continue exploring and developing its existing Nyanga Project in Gabon and Bend Nickel Project in Zimbabwe. To that end, funds raised from the Capital Raising will be allocated across both new and existing projects, including committing approximately A\$1 million towards further drilling programs at the Bend Nickel Project, further increasing Armada's ownership through earn-in arrangements. Dr Ross McGowan will remain in a position to manage Armada's projects in Africa.

Further details of the Proposed Transaction and the Capital Raising (including detailed summary of the proposed use of funds) will be contained within the long form agreements.

Indicative Capital Structure and Effect on the Company

The indicative post-transaction capital stature of Armada, assuming the Proposed Transaction proceeds on the above basis, is set out below.

	Shares	Options
Current issued capital	208,000,000	18,140,000
Capital Raising shares to be issued	250,000,000*	-
Consideration Shares to be issued	458,000,000*	-
Management options to be issued	-	91,600,000
Total issued capital at completion	916,000,000	109,740,000

***Note:** Indicative and assumes the Capital Raising is undertaken at an issue price of \$0.02 per share and, consequently, the resulting number of Consideration Shares to be issued to Midwest shareholders representing a 50% interest in Armada on completion. The pricing in the table is assumed for illustrative purposes only noting that pricing has not yet been agreed or determined.



Next Steps

Armada expects the due diligence process and execution of formal long form agreements to take approximately two to three weeks, following which the transaction will be subject to Armada shareholder approval at a general meeting.

The Company will update the market as further information is available. Shareholders should note that there is no certainty that the Proposed Transaction will complete or that it will be on the same terms as presented in the Term Sheet. Shareholders do not need to take any action at this time.

This announcement has been authorised on behalf of the Armada Metals Limited Board by: Dr Ross McGowan, Managing Director & CEO.

-ENDS-

For further information, please contact:

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Background on Armada

Armada was established to define new belt-scale discovery opportunities for key commodities (principally nickel, copper) in under-explored regions of Africa. The Company is supported by a Board and Africa-based technical team, both with a track record of successful African projects. Key members of the Armada targeting team were a part of the team awarded the 2015 PDAC Thayer Lindsley Award for an International Mineral Discovery (as members of the Kamoia discovery team with Ivanhoe Mines).

Forward-Looking Statements

This document may include forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning Armada Metals Limited's planned exploration program and other statements that are not historical facts. When used in this document, words such as "could," "plan," "estimate," "expect," "intend," "may", "potential", "should," and similar expressions are forward-looking statements. Although Armada Metals Limited believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.