

4 March 2024

**Azure Transaction Booklet Released**

Hancock Prospecting Pty Ltd (**Hancock**) is pleased that the proposed joint acquisition with Sociedad Química y Minera de Chile S.A. (**SQM**) (together, the **Joint Bidders**) of Azure Minerals Limited (**Azure**) has progressed with the release of the Transaction Booklet today. This follows the recent announcement that competition approvals have been achieved.

Azure's Board has unanimously recommended the proposed transaction, subject to there being no Superior Proposal and the Independent Expert concluding and continuing to conclude that the Scheme is in the best interests of Azure Shareholders and that the Takeover Offer is fair and reasonable. The Independent Expert has concluded that the Section 611 item 7 Resolution is fair and reasonable to Azure Shareholders, that the Scheme is in the best interests of Azure Shareholders and that the Takeover Offer is fair and reasonable.

The Azure Board has made some important observations in relation to the Independent Expert's Report, specifically the lithium pricing used as part of the valuation and how it may impact the value range of the Azure Shares.<sup>1</sup> The Azure Board notes that lithium asset valuations are highly sensitive to the lithium price used for the purposes of calculating the "normalising factor" (**NF**) used to compare relevant transactions. To provide Azure Shareholders with an indication of the sensitivity, the Azure Board prepared its own calculation of the expected value range on the same basis as used by the Independent Expert but calculating the NF using a long-term price<sup>2</sup> rather than a short-term spot price.<sup>3</sup> Azure's calculations indicate that the value of the Andover project would be expected to be approximately A\$956–1,434 million resulting in a valuation range for Azure of approximately A\$2.40–3.50 per share.

Hancock therefore urges Azure shareholders to support the transaction, to realise immediate value for their shares, and avoid the uncertainties associated with the Andover project as well as lithium market volatility. Two major shareholders, Creasy Group (12.8%) and Delphi Group (10.2%) have confirmed they intend to sell all of their shares to the Joint Bidders, in the absence of a superior proposal for Azure.

The Andover project has the potential to be a high-quality and large-scale lithium project, including downstream refining for the production of higher value battery materials. Hancock considers that the Joint Bidders are uniquely placed to manage the substantial challenges associated with any major lithium project development. The Joint Bidders have a strong depth of project execution and lithium processing experience, as well as being well funded and experienced operators. Subject to obtaining project approvals, this will enable the Joint Bidders to progress the project efficiently and to generate additional value.

Hancock adopts a long-term approach to resource development projects, looking through short-term price fluctuations in commodity markets. Hancock continues to consider that the outlook for potential high quality lithium projects like Andover remains favourable over the long-term.

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<sup>1</sup> Refer to Section 3.5(b) of the Transaction Booklet for further details.

<sup>2</sup> Being the long-term LCE price of US\$20,000/t applied by the independent expert in their discounted cash flow analysis (not to normalising transaction multiples) in the recent merger between Allkem and Livent (for further details, see Allkem's ASX announcement "Scheme Booklet Registered by ASIC" on 9 November 2023).

<sup>3</sup> Being the 90-day average spot price to 5 February 2024.