

29 October 2021

QUARTERLY REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2021

HIGHLIGHTS

- Arizona Lithium Limited (AZL) (formerly Hawkstone Mining Limited) has successfully spun-out its interest in the Devil's Canyon Gold-Copper Project in Nevada, the Western Desert Gold-Copper Project in Utah, and the Lone Pine Gold Project including the King Solomon Mine in Idaho, to Diablo Resources Limited (Diablo)¹.
- The Company received 40 million vendor shares as part of the spin-out that have been distributed by way of an in-specie pro rata distribution to existing shareholders of AZL, with the ASX listing of Diablo occurring on 12 October 2021, post reporting period.
- AZL shareholders participated in a \$3.5 million priority offer as part of the successful \$6.5 million raise in the ASX IPO of Diablo.
- AZL is now a dedicated lithium company, focussed on the sustainable development of the Big Sandy Sedimentary Lithium Project in Arizona, with the name change reflecting this shift in strategic direction.
- The Company's shares are now trading on the US-based OTCQB market under the code of OTCQB: HWKMF further enhancing the visibility and accessibility of Arizona Lithium to US investors.
- Bench scale metallurgical test work of lithium mineralised material from Big Sandy is ongoing with very encouraging preliminary beneficiation results.
- AZL has completed a review of the Lordsburg Lithium Brine Project.

Arizona Lithium Limited (ASX:AZL) ("Arizona Lithium", or the "Company") is pleased to provide an update and overview of the Company's activities for the period ending 30 September 2021 ("Quarter", "Reporting Period").

Arizona Lithium Managing Director, Paul Lloyd, commented: "The September Quarter was highlighted by the successful spin-out of the Company's significant gold and gold-copper assets to form a separate company, Diablo Resources Limited (ASX:DBO), which listed on the ASX on 12 October 2021 via an IPO. This reflects a change in strategic focus as we continue to advance the Company's flagship Big Sandy Lithium Project, with a focus on sustainable development.

Previous results from metallurgical test work from mineralised materials at Big Sandy were very encouraging producing battery grade 99.8% Li₂CO₃, and we are eagerly awaiting an update from Hazen."

¹ Hawkstone Announcement June 3, 2021, Hawkstone to Spin-Out High-Grade Gold and Gold-Copper Projects in the USA

BIG SANDY LITHIUM PROJECT

Hawkstone is well positioned with its Big Sandy Sedimentary Lithium Project (“**Big Sandy**”, “**Project**”) strategically located in Arizona (ranked #2 by 2020 Fraser Institutes Mining Survey) halfway between Phoenix and Las Vegas, Nevada (Figure 1). The location, coupled with the ongoing advances by Hazen Research Inc (“**Hazen**”) on the metallurgical front, positions the Project squarely in the front of a rising tide in demand and price in the lithium market.

Metallurgical Test Work

Arizona Lithium is conducting an extended, ongoing bench-scale and concurrent demonstration plant design program at Hazen. Test work has achieved the goal of high lithium recoveries producing “**battery grade**” **99.8% Li₂CO₃** while demonstrating very encouraging beneficiation results. This testing and design work will be used to develop a flowsheet and form a design basis for a full-scale operation with minimal environmental impact, to bring Big Sandy into commercial production. A scalable, continuous demonstration plant design will be developed enabling additional technology development, testing of different ore types, and in support of project financing requirements.



Figure 1 – Project Location Map

Hazen is currently evaluating a hydrometallurgical process involving sulphuric acid leaching, leach solution purification, and the subsequent production of 99.8% Li₂CO₃ used in the production of lithium-ion batteries. The process is straightforward, environmentally-superior to peer developments, and is based on proven unit operations. Arizona Lithium will continually assess process improvements, including those achieved during this test program, with the initial test work demonstrating that the present flowsheet is a viable approach for the development of the Big Sandy resource.

Resources and Exploration Target

Arizona Lithium’s successful 2019 drill program at Big Sandy resulted in the estimation of a total Indicated and Inferred JORC resource of 32.5 million tonnes grading 1,850 ppm Li for 320,800 tonnes Li₂CO₃².

Resource Classification	Tonnes (Mt)	Li Grade (ppm)	Contained Li Metal (t)	Contained LCE (t)
Indicated	14.6	1,940	28,400	150,900
Inferred	17.9	1,780	31,900	169,900
Total	32.5	1,850	60,300	320,800

² Hawkstone Announcement Sept 26, 2019, Big Sandy Lithium Project, Maiden Mineral Resource

This represents just 4% of the Big Sandy Lithium Project area that contains an estimated exploration target of between 271.1Mt to 483.15Mt at 1,000 - >2,000ppm Li³.

**Note: the potential quantity and grade of the estimated geological potential (Exploration Target) is conceptual in nature. There has been insufficient exploration to estimate a mineral resource and it is uncertain whether future exploration will result in the definition of a mineral resource. It has been estimated using a range of thicknesses for the mineralised sediments calculated from drill intercepts, surface sampling and geological mapping. The grade estimates a range of values demonstrated from drilling and surface sampling.*

The Permit of Exploration (POE) that includes 145 exploration holes and a bulk sample at the Company's Big Sandy Lithium Project is awaiting BLM approval. The public comment period has finished, and the Company understands that concerns have been raised, however as per the BLM procedure, the nature of those objections are not known. Arizona Lithium expects to be provided with additional information once the BLM has had the opportunity to review.

The Company is highly committed to environmental, social and governance (ESG) practices and encourages community involvement to ensure mutually beneficial outcomes for all stakeholders. Arizona Lithium is very confident that drilling program can be completed in a sustainable manner without any environmental impact and to the satisfaction of all stakeholders.

LORDSBURG LITHIUM BRINE PROJECT

During the Reporting Period, a strategic review was conducted on the Lordsburg Lithium Brine Project ("Lordsburg Project") located 15km to the southwest of the town of Lordsburg, New Mexico, within the playa lake system at the northernmost end of the Animas Valley. Stock wells on the eastern Animas basin margin, south of the Lordsburg Project, intersected steam and hot springs essential in the development of lithium bearing brines. A 1954 US Geologic Survey map shows a windmill just west of the Lordsburg Project, on the western basin margin, labelled as a "salt well" demonstrating the presence of highly saline subterranean water.

The Company will continue to assess appropriate exploration programs for the Lordsburg Project.

LONE PINE, DEVIL'S CANYON & WESTERN DESERT PROJECTS

Due to the Company's spin-out of the Lone Pine, Devil's Canyon and Western Desert Projects to Diablo, no field work was undertaken on the projects during the quarter.

KANGWANE SOUTH ANTHRACITE PROJECT

No field activities were completed on the Company's anthracite project in South Africa. As previously advised, the Company is working towards the divestment of this asset and formalities to relinquish the Kangwane Project are completing. The Company expects this to be finalised in the December quarter.

³ Hawkstone Announcement Nov 7, 2019, Big Sandy Lithium Project, Exploration Target Update

CORPORATE

The successful spin-out of the gold and copper projects into Diablo Resources Limited (ASX:DBO) that occurred on the 12 October 2021 created value for all Arizona Lithium shareholders through the in-specie distribution of 40 million DBO shares to the value of \$8 million. The Directors will continue to focus on creating value for shareholders, primarily through the development of the Big Sandy Lithium Project.

With cash at 30 September 2021 of \$4,994,000 and in-the-money options expected to increase cash reserves in the December quarter, the Company remains in a strong cash position with the main short-term development costs being the Hazen testing of material from the Big Sandy Lithium Project.

This announcement has been authorised for release by the Board of Arizona Lithium.

FOR FURTHER INFORMATION PLEASE CONTACT:

MR. PAUL LLOYD

Managing Director
Arizona Lithium Limited
Tel. +61 419 945 395
paul@arizonalithium.com

1st Floor, 10 Outram Street
West Perth WA 6005

COMPETENT PERSON'S STATEMENT

The information in this announcement that relates to the Big Sandy Sedimentary Lithium Project is based on, and fairly represents information compiled by Gregory L Smith who is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity to which he is undertaking 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. Smith is a Director of the Company and holds shares in the Company. Mr. Smith consents to the inclusion in this announcement of the matters based on this information in the form and context in which it appears. The Company confirms that the material assumptions and technical parameters underpinning the Resource estimate, which was announced to the ASX on 26 September 2019, have not materially changed.

Appendix 1: Schedule of Mining Tenements

The following information is provided pursuant to Listing Rule 5.3.3 for the quarter ended 30 September 2021.

Project	Claim Number	Location	Interest
Big Sandy	WIK-001 to WIK-112	Arizona, USA	100%
Big Sandy	BSL-001 to BSL-146	Arizona, USA	100%
Big Sandy	BSLII 001 to BSLII 053	Arizona, USA	100%
Lordsburg	LLP-211 to LLP-274	New Mexico, USA	100%
Lordsburg	LLP-283 to LLP-298	New Mexico, USA	100%
Lordsburg	LLP-307 to LLP-322	New Mexico, USA	100%
Lone Pine*	LP-001 to LP-075 LP EXT-076 to LP EXT-250 LP EXT2-251 to LP EXT2-268 U.P Patented Claim Burlington Patented Claim	Idaho, USA	100%
Western Desert*	WD001 WD003 to WD030 WD-031 to WD-258 State Lease 4N 17W Sect 16 4N 17W Sect 2 5N 16W Sect 36	Utah, USA	100%
Devil's Canyon*	DP3, 4 & 5 DP10, 11 & 12 Devils Canyon-001 to Devils Canyon-084	Nevada, USA	100%
Kangwane South	N/A	Mpumulanga Province, South Africa	70%

During the quarter, the Company did not acquire or divest of any interests in mining tenements. Subsequent to the end of the quarter, the Company completed the divestment of the Lone Pine, Western Desert and Devil's Canyon Projects to Diablo Resources Limited (marked with *).

Appendix 2: Exploration Expenditure and Payments to Related Parties

In line with its obligations under ASX Listing Rules 5.3.1 and 5.3.5, Arizona Lithium Limited notes the following in relation to the period ended 30 September 2021 as advised in the Appendix 5B:

- exploration and evaluation expenditure of \$641k primarily relates to an airborne magnetic survey, ground magnetic and gravity surveys and metallurgical test work; and
- the only payments to related parties of the Company pertain to payments to an executive director for salary and superannuation, non-executive director fees and consultancy fees.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

ARIZONA LITHIUM LIMITED

ABN

15 008 720 223

Quarter ended ("current quarter")

30 SEPTEMBER 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(641)	(641)
(b) development	-	-
(c) production	-	-
(d) staff costs	(130)	(130)
(e) administration and corporate costs	(473)	(473)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	3
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(1,241)	(1,241)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation	-	-
(e) investments	-	-
(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
2.6	Net cash from / (used in) investing activities	-	-
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	1,285	1,285
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	1,285	1,285
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,950	4,950
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,241)	(1,241)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,285	1,285

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	4,994	4,994

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,494	1,450
5.2	Call deposits	3,500	3,500
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,994	4,950

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	130
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Amounts shown at item 6.1 comprise of payments to related parties (or their associates) for director and administration fees paid during the quarter, including fees for services performed.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,241)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(1,241)
8.4 Cash and cash equivalents at quarter end (item 4.6)	4,994
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	4,994
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	4
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions: N/A	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer:	
8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer:	
<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 October 2021

Authorised by: The Board of Arizona Lithium Limited

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.