

31 January 2022

QUARTERLY REPORT FOR THE PERIOD ENDING 31 DECEMBER 2021

HIGHLIGHTS

- Metallurgical testing at Hazen Research on Big Sandy lithium mineralised material continued to produce highly encouraging results, including significant reductions in acid consumption and potential haulage requirements, with the Company now seeking to commence the scoping and pre-feasibility studies.
- Appointment of Matthew Blumberg as Executive Director to focus on growing the Company's US investor base and building strategic partnerships with US based battery manufacturers or end users.
- A further 96 BLM claims staked, doubling the Lordsburg Lithium Project footprint to 192 claims (15.54km²).
- Successful capital raise for \$13m to institutional and sophisticated investors, at an issue price of \$0.075 per share.

Arizona Lithium Limited (ASX:AZL) ("Arizona Lithium" or the "Company"), a company focussed on the sustainable development of the Big Sandy Lithium Project ("Big Sandy", "Project") in Arizona, is pleased to provide an update and overview of the Company's activities for the period ending 31 December 2021 ("Quarter", "Reporting Period").

Arizona Lithium Managing Director, Paul Lloyd, commented: "The December Quarter was an important period for Arizona Lithium with the ongoing metallurgical testing program at Hazen Research continuing to deliver highly encouraging results, with a significant reduction in acid consumption and potential haulage requirements. The test work also made significant advancements in upgrading treatable material leading to enhanced economic potential, with the Company now seeking to commence scoping and pre-feasibility studies in Q1 2022.

"During the Reporting Period, Arizona Lithium appointed US-based Matthew Blumberg as an Executive Director. Since his appointment, Matthew's input has already proved highly valuable and he has continued to expand the Company's US investor base and advance discussions with US based battery manufacturers.

"Greg Smith resigned as a Non-Executive Director of the Company and on behalf of Arizona Lithium and its shareholders, I would like to thank him for his significant geological input into Big Sandy and assisting in advancing the Project to its current stage. We are pleased that Greg will remain with the Company in a consulting capacity so that we can continue to leverage off Greg's knowledge of the Big Sandy Project as we continue its development.

"We also completed a successful capital raise for \$13m during the quarter, with the funds being used to fast track the metallurgical test work, including the preparation of a processing flow sheet and design of a research facility to process material from the Big Sandy Lithium Project.

To further capitalise on the increasingly positive sentiment towards lithium, Arizona Lithium staked a further 96 BLM claims, doubling the Lordsburg Lithium Project footprint to 192 claims (15.54km²).

I would like to thank shareholders for their ongoing support to date and we look forward to an exciting 2022, as we continue to advance the Big Sandy Lithium Project with a focus on sustainable development and ESG practices."

Outstanding Test Results at the Big Sandy Lithium Project

During the Quarter, the metallurgical testing program at Hazen Research on Big Sandy lithium mineralised material continued to produce highly encouraging new results, including a significant reduction in acid consumption and a significant advancement in upgrading treatable material. These results have significant potential to shift the economics of the Project, opening numerous scenarios for mining and processing. The reduction in acid consumption and the lower haulage requirements from moving less material will significantly reduce the carbon footprint of the Project. Full details are set out in the Company's announcements dated 24 November 2021 and 20 January 2022.

With the processing flow sheet determined, Arizona Lithium is now working to commence the scoping and pre-feasibility during Q1 2022.

Appointment of US Based Executive Director

During the reporting period, Arizona Lithium appointed Matthew Blumberg as an Executive Director. Matthew will focus on growing the Company's US investor base and building strategic partnerships with US based battery manufacturers and end users.

Mr Blumberg is currently a director at NASDAQ listed and US based private equity firm, ALJ, focussed on strategy and M&A. He holds a Masters of Business Administration from Yale University and a double degree in engineering (second class honours) and commerce from the University of Western Australia.

The appointment came at a critical time in the exploration and development of Arizona Lithium's 100% owned Big Sandy Lithium Project, and he has proved to be a pivotal addition to the team as the Company has seen great expansion in the US investor base throughout the Quarter.

Successful Capital Raise for \$13m

In November 2021, Arizona Lithium completed a successful capital raise for \$13 million (before costs) through a strongly supported share placement to institutional and professional investors at \$0.075 per share, with one free attaching quoted option (ASX:AZLO) per two new shares. The options are exercisable at \$0.12 and expire one year from the date of issue.

The proceeds further strengthened the Company's balance sheet, placing Arizona Lithium in an exceptional position to advance the sustainable development of the Big Sandy Lithium Project. We have utilised and will continue to use the proceeds to fast track the metallurgical test work, including the preparation of a processing flow sheet and design of a research facility to process material from the Big Sandy Lithium Project in Arizona, USA.

Pac Partners and Evolution Capital Pty Ltd acted as joint lead managers to the placement.

AZL Doubles Land Position at the Lordsburg Lithium Project

Following a strategic review of the Company's Lordsburg Lithium Project driven by the significantly improved market sentiment towards lithium, the Company staked a further 96 BLM claims adjacent to its existing 96 claims, doubling the Project landholding to 15.54km².

The new claims cover the northern portion of the larger playa with potential to host lithium mineralised brines and have been submitted to the Bureau of Land Management (BLM) for approval, with the Company scheduling Titan magnetotelluric electromagnetics for Q1, 2022. A similar survey was successfully employed by Galan Lithium Limited on the Hombre Muerto Lithium Project in Argentina.

With sufficient lithium grade, close proximity to renewable energy sources and direct access to the interstate highway system, the Lordsburg Project has the potential to be a timely contributor to growing lithium supply requirements in the USA.



Figure 1 – Arizona Lithium Project Portfolio including major Li-battery infrastructure in close proximity to Big Sandy and Lordsburg Lithium Projects

Retirement of Greg Smith as Non-Executive Director

In November 2021 Non-Executive Director, Greg Smith, retired from the Company following his significant geological input into advancing the Big Sandy Project.

As an industry veteran who has been responsible for many large discoveries, it has been a pleasure to have Greg work with the Arizona Lithium team, in advancing the sustainable development of the Big Sandy Lithium Project. He will continue to work with Arizona Lithium as a geological consultant to the Company.

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 has received confirmation that the closure application is being processed by the Department of Mineral Resources and Energy and expects this to be finalised imminently.

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

FOR FURTHER INFORMATION PLEASE CONTACT:

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COMPETENT PERSON'S STATEMENT

The information in this report that relates to exploration results is based on and fairly represents information compiled by Mr Greg Smith, a Competent Person whom is a Member of the Australasian Institute of Mining and Metallurgy. Mr Smith is a consultant to the Company and holds securities in the Company. Mr Smith has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken 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 consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Appendix 1: Schedule of Mining Tenements

The following information is provided pursuant to Listing Rule 5.3.3 for the quarter ended 31 December 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%
Lordsburg	LLP2-1 to LLP2-96	New Mexico, USA	100%
Kangwane South	N/A	Mpumulanga Province, South Africa	70%
Lone Pine*	LP-001 to LP-075 LP EXT-076 to LP EXT-250 LP EXT2-251 to LP EXT-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%

During the quarter, the Company acquired 96 additional claims at the Lordsburg Lithium Project, New Mexico. The Company divested the Lone Pine, Western Desert and Devil's Canyon Projects to Diablo Resources Limited as part of a spin-out (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 31 December 2021 as advised in the Appendix 5B:

- exploration and evaluation expenditure primarily relates to metallurgical test work on the Big Sandy Lithium Project; 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")

31 DECEMBER 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(302)	(943)
(b) development	-	-
(c) production	-	-
(d) staff costs	(208)	(338)
(e) administration and corporate costs	(1,145)	(1,618)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	6
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	(1,652)	(2,893)
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 (6 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	248	248
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
2.6	Net cash from / (used in) investing activities	248	248

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	13,000	13,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	3,732	5,017
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(809)	(809)
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	15,923	17,208

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,994	4,950
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,652)	(2,893)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	248	248
4.4	Net cash from / (used in) financing activities (item 3.10 above)	15,923	17,208

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 (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	19,513	19,513

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	16,013	1,494
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)	19,513	4,994

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	208
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)	(1,652)
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)	(1,652)
8.4 Cash and cash equivalents at quarter end (item 4.6)	19,513
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	19,513
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	12
<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:	
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: N/A	
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: N/A	
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: N/A	
<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: 31 January 2022

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.