

ASX Announcement

13 July 2022

QUARTERLY REPORT FOR THE PERIOD ENDING 30 JUNE 2022

HIGHLIGHTS

- **AZL signed a lease to establish a world class Lithium Research Center in Tempe, Arizona, which will function as a technology incubator focused on the extraction of lithium from a variety of ores and brines, including the Big Sandy Project and the production of battery grade lithium chemicals.**
- **Completion of Hazen Research Bench-Scale Test Program validating the initial Big Sandy design basis and flowsheet.**
- **AZL committed to Arizona for the Research Facility and Processing Facility and accepted a US\$1m grant from the Arizona Commerce Authority (ACA) and is eligible for financial programs related to capital investment and job creation totalling over US\$100m.**
- **AZL received \$23.2 million from Tranche 1 of the \$32.5 million share placement announced in March 2022.**
- **Preparation for testing of the first Nikola BEV truck underway, as part of the AZL plan to become a net zero carbon lithium producer and following its aim of sourcing as many services and equipment from inside the state of Arizona.**

Arizona Lithium Limited (**ASX:AZL**) ("**AZL**", **Arizona Lithium**" or the "**Company**") is pleased to provide an overview of the Company's activities for the period ending 30 June 2022 ("**Quarter**", "**Reporting Period**").

Arizona Lithium Managing Director, Paul Lloyd, commented: *"The June Quarter was another critical period for the Company, as we continued to position AZL not only as a future supplier of lithium for the rapidly growing EV industry, but importantly as a future leader in lithium research and processing.*

With a 5 year lease signed for a world class Lithium Research Center on a 9,700m² property in Tempe, Arizona, AZL is well positioned to create a hub for technology incubation focussed on lithium extraction and processing. AZL expects the facility to attract some of the best talent from around the world, which will significantly benefit the Company's Big Sandy project, but also the Lordsburg Lithium Brine Project.

We are pleased to commit to the state of Arizona for both the Research Facility and also our processing facility, and I would like to thank the Arizona Commerce Authority for contributing a US\$1m grant to the Company, with Arizona also offering significant incentives and financial programs of up to over US\$100m.

Laying the groundwork for the Big Sandy Scoping Study and establishment of the Research Center was the successful completion of the Hazen Research Bench-Scale Test Program, which validated the initial Big Sandy design basis and flowsheet. We aim to further build upon and refine Hazen's work at the new Research Center, which will be spearheaded by the Company's Chief Technical Officer, Brett Rabe.

We also further bolstered the AZL team during the Reporting Period, with the appointment of Shaun Menezes as Company secretary, bringing over 20 years' experience as an accounting and finance professional.

We look forward to an exciting 2023 Financial Year and I would like to thank shareholders for their support to date."

Lease Signed for World Class Lithium Research Center

During the Reporting Period, AZL signed a 5-year lease with extension options for the location of a world class Lithium Research Center in Tempe, Arizona. The Research Center will focus on technological advancements in lithium processing and aims to advance the battery materials industry in Arizona, with construction expected to be completed by 30 November 2022 and key processing steps operational by Q4 2022.

The property spans over 9,700m², including a building of over 1,900m², with 3,000m² of pavement protected by security gates and a brick wall. The building has 370m² for sensitive laboratory instruments and 1,530m² for processing ore/brine and producing lithium chemicals, with a 7m clearance.

The size and unique features of the property, coupled with the substantial experience of Brett Rabe, AZL's Chief Technical Officer (ASX Release – 21 March 2021), who will be responsible for driving the project, will make it a truly world class research and development center, expected to attract some of the top talent and projects in the world. The Research Center will be located in the vibrant Phoenix area with the likes of Kore Power, LG Energy Solutions, Lucid Motors, Nikola Corporation and Arizona State University.

Completed Hazen Research Bench-Scale Test Program

During the Quarter, the Company announced that Hazen Research, Inc ("Hazen") had issued its final ore beneficiation, concentrate leaching, and hydrometallurgy reports on the Company's Big Sandy resource.

The Hazen work validated the initial Big Sandy design basis and flowsheet, including:

- Size-based concentration of 71% of the resource lithium content into a concentrate of 36% of the processed ore
- A lithium leaching extraction from the concentrate of 88%
- A reduction of processed ore sulfuric acid consumption in leaching at 490 kg/mt to less than 180 kg/mt
- Production of at least 99.8% battery-grade lithium carbonate
- Determination of critical reagent consumables
- Production of bulk quantities of purified lithium sulfate solution for additional test work by recognized battery-grade lithium carbonate process technology vendors
- The basis for Ausenco's mass and energy balance leading to its AACE Class 5 capital and O&M cost, and Class 1 schedule estimates for commercial project alternatives

Hazen's work has provided the basis for AZL's Big Sandy Project scoping study currently being executed by Ausenco Engineering USA South, Inc. (Ausenco) based in Tucson, Arizona, which is expected to be completed in August 2022.

AZL will continue to refine the design of the Big Sandy Project at the Company's new Lithium Research Center located in Phoenix, Arizona.

AZL Commits to Arizona for Research Facility & Processing Facility

During the Quarter, AZL announced that the Company had committed to Arizona for its technologically-advanced research facility and processing facility, which is expected to create over 300 new jobs. Arizona state law enables the Project to receive grant funding and other statutorily obligated tax exemptions over the life of the Project.

The Company accepted a US\$1m grant from the Arizona Commerce Authority (ACA) and is eligible for financial programs related to capital investment and job creation totalling over US\$100m.

This decision for the location of the facilities was made possible due to Arizona's low cost, low regulatory environment, that is primed for growth. Arizona is committed to be the most pro-business government in the United States.

Corporate

On 31 March 2022, AZL announced that it had received firm commitments to raise \$32.5 million (before costs), to fast track the development of Big Sandy. In April 2022, Tranche 1 of the placement totalling \$23.2 million (before costs) was received. The balance of the capital raising is subject to shareholder approval which will be sought at a general meeting to be held on 14 July 2022.

The Company is in a strong financial position with \$42.3 million in cash at 30 June 2022.

In June 2022, the Company announced the appointment of Mr Shaun Menezes as Company Secretary, replacing Ms Oonagh Malone. Mr Menezes is an accounting and finance professional with over 20 years' experience and has worked in the capacity of company secretary and Chief Financial Officer of a number of ASX and SGX listed companies, held a senior management role within an ASX 200 listed company and was an executive director at a leading international accounting firm. He is a member of the Governance Institute of Australia and the Chartered Accountants Australia and New Zealand. Mr Menezes is currently company secretary of several ASX-listed companies in the resources industry.

The Company thanked Ms Malone for her contributions over the last seven years.

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

FOR FURTHER INFORMATION PLEASE CONTACT:

MR. PAUL LLOYD

Managing Director
Arizona Lithium Limited
Tel. +61 419 945 395
paul@arizonalithiumlimited.com
2nd Floor, 10 Outram Street
West Perth WA 6005

Big Sandy Lithium Project (Arizona)

The Big Sandy Project, as a very shallow, flat lying mineralised sedimentary lithium resource and with excellent available infrastructure, has the potential to be developed with a very low environmental footprint.

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 Li_2CO_3 ¹. This represents 4% of the Big Sandy Project area that contains an estimated exploration target of between 271.1Mt to 483.15Mt at 1,000 - >2,000ppm Li^2 .

Note that 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 in Arizona is awaiting Bureau of Land Management (BLM) approval. Community involvement is welcomed to ensure mutually beneficial outcomes for all stakeholders and the Company is very confident that drilling program can be completed without environmental impact and to the satisfaction of all stakeholders.



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

¹ Announcement Sept 26, 2019, Big Sandy Lithium Project, Maiden Mineral Resource
² Announcement Nov 7, 2019, Big Sandy Lithium Project, Exploration Target Update

Appendix 1: Schedule of Mining Tenements

The following information is provided pursuant to Listing Rule 5.3.3 for the quarter ended 30 June 2022.

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%

There were no acquisitions during the Quarter. The Kangwane South project tenements were relinquished during the quarter.

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 June 2022 as advised in the Appendix 5B:

- exploration and evaluation expenditure primarily relates to metallurgical test work and the scoping study 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")

30 JUNE 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(594)	(1,980)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(39)	(499)
	(e) administration and corporate costs	(584)	(2,418)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	20	29
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	(1,197)	(4,868)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(72)	(72)
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets	(286)	(286)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
2.6	Net cash from / (used in) investing activities	(358)	(110)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	23,200	36,200
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	883	8,323
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(1,421)	(2,230)
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	22,662	42,293

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	21,158	4,950
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,197)	(4,868)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(358)	(110)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	22,662	42,293

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	42,265	42,265

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	3,765	7,658
5.2	Call deposits	38,500	13,500
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)	42,265	21,158

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	39
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

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 <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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)	(1,197)
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)	(1,197)
8.4	Cash and cash equivalents at quarter end (item 4.6)	42,265
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	42,265
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	35
<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: 13 July 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.