

ASX Announcement

31 October 2022

QUARTERLY REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2022

HIGHLIGHTS

- Continued sustainable development of Big Sandy with the Company's Lithium Research Centre.
- Successfully identified targets interpreted to represent potential lithium mineralised brines within a north trending basin at the Lordsburg Lithium Project. Three drill holes totalling 1,850m planned to test these targets.
- Successfully raised \$12m at \$0.07 per share via a Placement to institutional and sophisticated investors with the additional funds to be used to further advance the development of Big Sandy.

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 September 2022 ("**Quarter**", "**Reporting Period**") to accompany the Appendix 5B.

Arizona Lithium Managing Director, Paul Lloyd, commented: "Although the September Quarter was a slower period in terms of newsflow, we continued to fast track the sustainable development of Big Sandy, with \$12m raised which will also be applied to the land purchase for the Lithium Processing Plant, expansion and operation of the Lithium Research Centre and securing IP protection over Lithium Processing Technology."

We also completed a passive seismic survey and Titan magnetotelluric electromagnetics across the Lordsburg Lithium Project, located in South West New Mexico, to test for potential lithium mineralised subsurface brines. Importantly, the encouraging results from these surveys identified three priority drill hole locations, providing an exceptional opportunity to progress another project concurrently with the sustainable development of the Big Sandy Lithium Project in Arizona.

I would like to thank shareholders for their support and we look forward to updating the market."

DRILL TARGETS IDENTIFIED AT LORDSBURG LITHIUM PROJECT

During the Reporting Period, AZL provided an update on lithium exploration at the Company's Lordsburg Lithium Brine Project in the state of New Mexico, USA.

In consultation with Western Australia-based geophysical consultants, Resource Potentials, the Company completed a passive seismic survey and Titan magnetotelluric electromagnetics across the Lordsburg Lithium Project, located in South-West New Mexico, to test for potential lithium mineralised subsurface brines. Similar geophysical methods have been used with success by Galan Lithium Limited on their Hombre Muerto Project in Argentina¹.

Based on the results of the geophysical surveys, Resource Potentials have proposed three drill holes totalling 1,850 metres, designed to test geophysical anomalies within the Magnetotelluric Titan (MT) data, as well as local deep anomalies on the acoustic bedrock derived from the passive seismic HVSr survey.

¹ Galan Lithium Ltd, Announcement October 4, 2018: Geophysical Results Define Brine Potential at Candelas Project, Hombre Muerto

Figure 1 below details a 3D visualisation of the proposed drillholes, includes the MT resistivity inversion model. In the figure, the hotter colours (pinks) indicate high conductivity and cooler colours (whites) indicate higher resistivity as defined by the MT, whilst in the passive seismic HVSR hotter colours (yellow to red) indicate shallower acoustic bedrock and cooler colours (green to blue) indicate deeper acoustic bedrock.

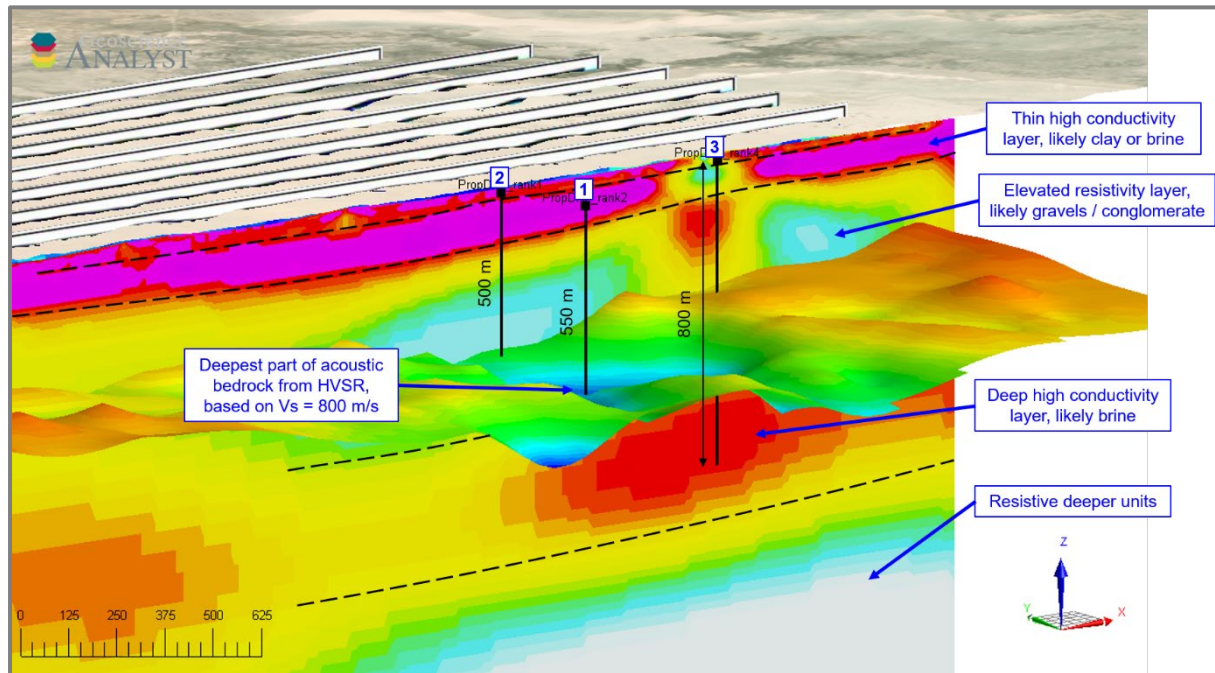


Figure 1 - Passive seismic survey lines and interpretation

SUCCESSFUL \$12M PLACEMENT

During the Quarter, AZL announced that the Company raised \$12m via a Placement to institutional and sophisticated investors, following approval by AZL shareholders at the General Meeting held on the 14 July 2022.

AZL successfully raised \$12m at \$0.07 per share ("New Shares") with a 1:2 attaching option with an exercise price of \$0.18 and expiry two years from the date of issue ("Placement"). The Placement was offered only to investors who previously committed to Tranche 2.

The funds will be used to further advance the development of Big Sandy and will be applied to the land purchase for the Lithium Processing Plant, expansion and operation of the Lithium Research Centre and securing IP protection over Lithium Processing Technology.

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

FOR FURTHER INFORMATION PLEASE CONTACT:

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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_3^2 . 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^3 .

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

² Announcement Sept 26, 2019, Big Sandy Lithium Project, Maiden Mineral Resource
³ 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 September 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 or disposals 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 September 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 setup and operating costs of the Lithium Research Centre; 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 2022

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	(794)	(794)	(794)
(b) development	-	-	-
(c) production	-	-	-
(d) staff costs	(185)	(185)	(185)
(e) administration and corporate costs	(643)	(643)	(643)
1.3 Dividends received (see note 3)	-	-	-
1.4 Interest received	189	189	189
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	(1,433)	(1,433)	(1,433)
2. Cash flows from investing activities			
2.1 Payments to acquire or for:			
(a) entities	-	-	-
(b) tenements	-	-	-
(c) property, plant and equipment	(1,784)	(1,784)	(1,784)
(d) exploration & evaluation	-	-	-
(e) investments	-	-	-
(f) other non-current assets	-	-	-

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	(1,784)	(1,784)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	11,994	11,994
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	179	179
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(871)	(871)
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	11,302	11,302

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	42,265	42,265
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,433)	(1,433)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,784)	(1,784)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	11,302	11,302

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	22	22
4.6	Cash and cash equivalents at end of period	50,372	50,372

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	4,872	3,765
5.2	Call deposits	45,500	38,500
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)	50,372	42,265

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	122
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)	(1,433)
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)	(1,433)
8.4	Cash and cash equivalents at quarter end (item 4.6)	50,372
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	50,372
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: 31 October 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.