

ASX Announcement

28 April 2023

QUARTERLY REPORT FOR THE PERIOD ENDING 31 MARCH 2023

HIGHLIGHTS

- AZL completed the acquisition of Prairie Lithium Corporation (Prairie), representing a 1,200% increase to AZL's global lithium Resource, now 4.4MT of LCE (inferred and indicated).¹
- Prairie's JORC Inferred Mineral Resource: 4.1 million tonnes of lithium carbonate equivalent (LCE) at 111 mg/L Li: the highest quality inferred lithium brine resource in Canada.²
- The build out of the world class Lithium Research Centre (LRC) in Tempe, Arizona continues at a fast pace. The LRC will be focused on the processing flowsheet for the Big Sandy Lithium project and the application of innovative lithium processing technologies.
- Prairie's proprietary lithium extraction process technology has potential for global applications. Encouraging results have been achieved to date on Li mineralised material from Big Sandy.
- Prairie awarded a \$1.2m grant from the Critical Mineral Research Development and Demonstration (CMRDD) program for Natural Resources in Canada (NRCan) for further research and development on the extraction technology.
- Mediation settlement reached over Big Sandy Lithium Claims Dispute, with both parties to proceed with the development of each of their respective lithium projects in the area.

Arizona Lithium Limited (ASX: AZL, AZLOA, OTC: AZLAF) ("Arizona Lithium", "AZL" or "the Company"), a company focused on the sustainable development of two large Lithium development projects in North America, the Big Sandy Lithium Project ("**Big Sandy**",) and the Prairie Lithium Project is pleased to provide an overview of the Company's activities for the period ending 31 March 2023 ("**Quarter**", "**Reporting Period**") to accompany the Appendix 5B.

Arizona Lithium Managing Director, Paul Lloyd, commented: *"During the March quarter, we are pleased to have completed the acquisition of Prairie Lithium, bringing AZL's global lithium Resource to a total of 4.4MT of LCE (inferred and indicated)³, with Arizona Lithium now holding a world class lithium resource.*

We are integrating Prairie and Arizona Lithium, aligning synergies to form an amalgamated Company positioned to be a global leader in lithium production, processing and research. With the joint expertise now within AZL, we look forward to an exciting growth period.

During the quarter, Prairie was awarded \$1.2m in grant funding as part of the CMRDD program, and this funding is to be directly invested in the development of the direct lithium extraction (DLE) technology. This proprietary technology has potential for significant global applications.

¹ Announcement Sept 26, 2019, Big Sandy Lithium Project, Maiden Mineral Resource, Prairie Lithium – Announcement by AZL (21/12/22)

² Prairie Lithium – Announcement by AZL (21/12/22)

³ Announcement Sept 26, 2019, Big Sandy Lithium Project, Maiden Mineral Resource, Prairie Lithium – Announcement by AZL (21/12/22)

Over the coming periods, we look forward to continuing to advance our assets portfolio and I would like to thank shareholders for their support to date."

COMPLETION OF PRAIRIE LITHIUM ACQUISITION

During the Quarter, AZL announced that the Company had completed the acquisition of Prairie Lithium Corporation ("Prairie Lithium", or "Prairie"), one of Canada's most advanced lithium brine companies, and one of the most advanced Direct Lithium Extraction (DLE) projects globally.

AZL's Prairie Lithium Project holds a JORC Inferred Mineral Resource of 4.1 million tonnes of lithium carbonate equivalent (LCE) at 111 mg/L Li, the highest quality inferred lithium brine resource in Canada discovered to date.

The acquisition represents a 1,200% increase to AZL's global lithium Resource, now 4.4MT of LCE (inferred and indicated), with AZL also acquiring a proprietary direct lithium extraction technology that removes lithium from brines and ore bodies, and a DLE technology plant in Saskatchewan, using brine from wells drilled at the Prairie Lithium Project.

Prairie's experienced Board and management team have a proven lithium track record, providing an experienced technical team to help fast track the sustainable development of the Big Sandy. project.

Zach Maurer, founder and Chief Executive Officer of Prairie Lithium, will join the board of directors of Arizona Lithium as an Executive Director. Mr. Maurer graduated with a BSc in Geology from the University of Regina and is based alongside the resource in Regina, Saskatchewan.

The acquisition strongly complements AZL's strategy of developing a world class Lithium Research Centre in Tempe, Arizona, a lithium technology incubator specialising in the extraction of lithium from a variety of ores and brines.

On 21 December 2022, the Company announced that it had entered a binding pre-acquisition agreement (the "Acquisition Agreement") with its wholly-owned subsidiary, 2477827 Alberta Corporation ("CallCo"), its wholly-owned subsidiary, 2477955 Alberta Corporation ("CanCo"), and Prairie Lithium Corporation ("Prairie" or "Prairie Lithium"), a privately held company, pursuant to which AZL agreed to acquire, either directly or indirectly through CanCo, all of the shares of Prairie Lithium ("Prairie Lithium Shares") (the "Transaction").

PRAIRIE LITHIUM RECEIVES AU\$1.2M GRANT FUNDING

During the Quarter, AZL announced that Prairie Lithium had received grant funding from the Critical Mineral Research Development and Demonstration (CMRDD) program for natural resources in Canada (NRCan).

Prairie is to receive a total of C\$1.074m, which will be matched with funding from Prairie, and will be invested into direct lithium extraction (DLE) technology development.

Prairie's proprietary lithium extraction process technology may have a global application, with the process currently being tested on lithium resources from other jurisdictions, including the Big Sandy Resource.

MEDIATION SETTLEMENT REACHED ON BIG SANDY

AZL announced that mediation initiated in 2021 had concluded and resulted in execution of a final binding confidential settlement agreement and mutual release (the "Settlement Agreement") concerning a dispute regarding certain federal unpatented mining claims located in Mohave County, Arizona (U.S.A.) with Bradda Head Lithium Limited (AIM:BHL, OTCQB:BHLIF) ("Bradda Head" or "BHL").

CORPORATE

During the quarter under review, the Company welcomed Zach Maurer, the founder of Prairie Lithium, and we look forward to working with Zach to fast track the development of the two Lithium projects. Zach's knowledge and expertise of the Lithium industry will be extremely valuable to the Company.

With drilling approvals at Big Sandy expected in the next quarter together with the completion of the LRC, the June quarter will be very active for the Company and the management team.

FOR FURTHER INFORMATION PLEASE CONTACT:

Mr Paul Lloyd
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 Arizona Lithium Limited
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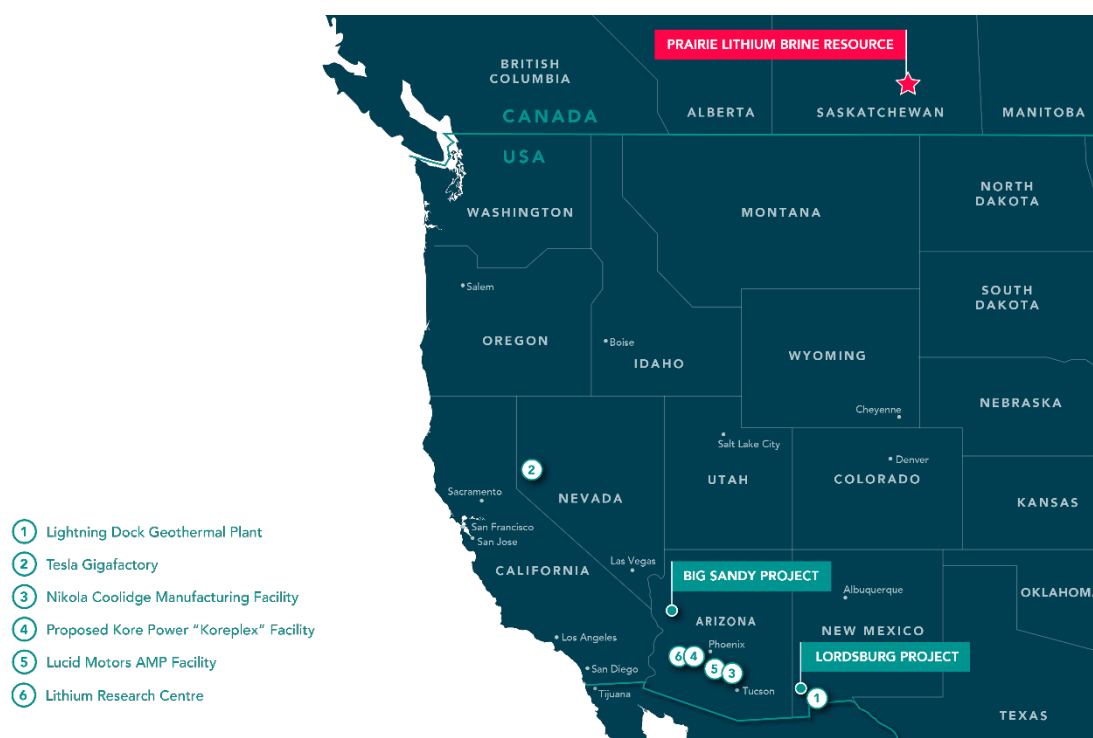


Figure 1 – Prairie Lithium's resource further diversifies AZL into Canada and brines

Lithium Research Centre

As announced on 20 June 2022, Arizona Lithium signed a 5-year lease to establish a world class Lithium Research Centre (LRC) to be located on a 9,700m² property in Tempe, Arizona, approximately 15km southwest of Phoenix Sky Harbor International Airport.

The Acquisition strongly complements AZL's strategy to develop a Lithium Research Centre, which will function as a technology incubator focused on the extraction of lithium from a variety of ores and brines, as well as the production of battery-grade lithium chemicals for current and future battery technologies.

The build out of the LRC continues with the lab fully operational and the bulk of the pilot plant to be constructed during the June quarter. The Company will then be able to commence operations of the pilot plant to treat some of the bulk sample taken from the Big Sandy Lithium project.

Big Sandy Lithium Project (Arizona)

The Big Sandy Project, 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.

JORC Mineral Resource Estimate

Arizona Lithium's successful 2019 drill program at Big Sandy (37 HQ diamond holes totalling 2,881m) resulted in the estimation of a total Indicated and Inferred JORC Mineral Resource of 32.5 million tonnes grading 1,850 ppm Li for 320,800 tonnes Li₂CO₃⁴ (Table 1).

Table 1 – Big Sandy Project Mineral Resource Statement (above 800 ppm Li cut-off)

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

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 Li⁵ (Table 2).

Exploration Target

Exploration on the Big Sandy Lithium Project including geological mapping, drilling and surface sampling in Blocks B, C and D in the Northern Mineralised Zone (NMZ) and geological mapping and surface sampling in Blocks SMZ 1 and SMZ 2 in the Southern Mineralised Zone (SMZ), have resulted in the identification of the potential for between 271.1Mt to 483.15Mt at 1,000 - >2,000ppm Li as summarised in Table 3 below.

The Exploration Target in Blocks B, C and D in the NMZ, has been estimated using a range of thicknesses for the mineralised sedimentary material, calculated from data point elevations, drill hole data from prior Exploration Target Block A, lying between Blocks B and C, that has been converted to an inferred / indicated mineral resource and geological mapping. The grade estimates a range of values demonstrated from surface sampling.

The Exploration Target in Blocks SMZ 1 and SMZ 2 in the SMZ, has been estimated using a range of thicknesses for the mineralised sedimentary material, calculated from data point elevations, geological mapping and knowledge of the mineralisation controls and alteration witnessed in the NMZ. The grade estimates a range of values demonstrated from surface sampling.

⁴ Announcement Sept 26, 2019, Big Sandy Lithium Project, Maiden Mineral Resource

⁵ Announcement Nov 7, 2019, Big Sandy Lithium Project, Exploration Target Update

Table 2 – Summary of Exploration Target

Zone	Resource Block	Grade Range Li ppm	Thickness Lower (m)	Thickness Upper (m)	Lower (Mt)	Upper (Mt)
North	B	1000 - >2,000	40	60	82,800,000	124,200,000
North	C	1000 - >2,000	20	35	27,000,000	47,250,000
North	D	1000 - >2,000	20	35	39,600,000	69,300,000
South	SMZ 1	1000 - >1,500	30	60	83,700,000	167,400,000
South	SMZ 2	1000 - >1,500	30	60	38,000,000	75,000,000
				TOTALS	271,100,000	483,150,000

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 a proposed 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. The validity of the proposed exploration target will be tested in the next drilling program. The Company is awaiting drilling approval from the BLM as detailed above.

Competent Persons Statement

The information in this announcement that relates to the Exploration Target 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 consultant to 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. Information in this announcement which relates to Exploration Results relevant to the Exploration Target has been extracted from the Company's announcements released to ASX on 28 March 2019, 28 August 2019, 7 November, 2019 and 21 December 2022.

Information in this announcement that relates to Mineral Resources have been extracted from the Company's announcement released to ASX on September 26, 2019.

The announcements are available to view on the Company's website: www.arizonalithium.com. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

Competent Persons statement for Prairie and Registered Overseas Professional Organisation

(ROPO) and JORC Tables

Gordon MacMillan P.Geo., Principal Hydrogeologist of Fluid Domains, who is an independent consulting geologist of a number of brine mineral exploration companies and oil and gas development companies, reviewed and approves the technical information provided in the release. Mr. MacMillan is a member of the Association of Professional Engineers and Geoscientists of Alberta (APEGA), which is ROPO accepted for the purpose of reporting in accordance with the ASX listing rules. Mr. MacMillan has been practising as a professional in hydrogeology since 2000 and has 22 years of experience in mining, water supply, water injection, and the construction and calibration of numerical models of subsurface flow and solute migration. Mr. MacMillan is also a Qualified Person as defined by NI 43-101 rules for mineral deposit disclosure.

Information in this announcement that relates Exploration Results or to Mineral Resources have been extracted from the Company's announcement released to ASX on 21 December 2022. The announcement is available to view on the Company's website: www.arizonalithium.com. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which Mr MacMillan's findings are presented have not been materially modified from the original market announcement.

Appendix 1: Schedule of Mining Tenements

The following information is provided pursuant to Listing Rule 5.3.3 for the quarter ended 31 March 2023.

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%

Tenements acquired during the Quarter are as follows:

Project	Public Offering Number / Block	Location	Interest
Prairie Lithium	S002/1	Saskatchewan, Canada	100%
Prairie Lithium	S004/5	Saskatchewan, Canada	100%
Prairie Lithium	S005/29, S005/46-48, S005/58, S005/60	Saskatchewan, Canada	100%
Prairie Lithium	S008/29, S008/31-35, S008/41, S008/43-44, S008/46, S008/49-54, S008/56, S008/64-65, S008/69-74, S008/77, S008/86-89	Saskatchewan, Canada	100%
Prairie Lithium	S009/19, S009/24-25, S009/27, S009/29, S009/31, S009/35, S009/39, S009/41-44, S009/50-53	Saskatchewan, Canada	100%

There were no 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 31 March 2023 as advised in the Appendix 5B:

- exploration and evaluation expenditure primarily relates to the 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")

31 MARCH 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(649)	(2,610)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(330)	(687)
	(e) administration and corporate costs	(603)	(1,565)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	382	942
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	(1,200)	(3,920)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	(43,956)	(43,956)
	(b) tenements	-	-
	(c) property, plant and equipment	(354)	(2,510)
	(d) exploration & evaluation	-	-
	(e) investments	-	(1,950)
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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 (cash on acquisition of entity)	3,135	3,135
2.6	Net cash from / (used in) investing activities	(41,175)	(45,281)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	11,994
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	222
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(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	-	11,345

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	46,797	42,265
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,200)	(3,920)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(41,175)	(45,281)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	11,345

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	5	18
4.6	Cash and cash equivalents at end of period	4,427	4,427

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	4,427	1,297
5.2	Call deposits	-	45,500
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)	4,427	46,797

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)	(1,200)
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)	(1,200)
8.4	Cash and cash equivalents at quarter end (item 4.6)	4,427
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	4,427
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:	
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: 28 April 2023

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.