

29 April 2022

## QUARTERLY REPORT FOR THE PERIOD ENDING 31 MARCH 2022

### HIGHLIGHTS

- To fast track the development of Big Sandy, AZL raised \$32.5m (before costs) via a strongly supported placement to institutional and sophisticated investors.
- Commencement of the Big Sandy scoping study, with the Company engaging Tucson, Arizona-based Ausenco Engineering USA South, Inc.
- Testing by Hazen Research on mineralised material from Big Sandy continued to deliver highly encouraging results, with the processing flow sheet determined, prior to AZL advancing with the scoping study.
- Appointment of Brett Rabe as Chief Technical Officer of the Company, adding significant lithium project management and engineering experience to the existing management team.
- MOU with Nikola Corporation to purchase battery electric vehicles (BEV's) to support the development of Big Sandy.

Arizona Lithium Limited (ASX:AZL) (“Arizona Lithium”, or the “Company”) a company focussed on the sustainable development of the Big Sandy Lithium Project in Arizona (“Big Sandy”, “Project”) is pleased to provide an update and overview of the Company’s activities for the period ending 31 March 2022 (“Quarter”, “Reporting Period”).

**Arizona Lithium Managing Director, Paul Lloyd, commented:** “The March 2022 Quarter was a key period for the Company with \$32.5 million raised to fast track the development of the Big Sandy Lithium Project. The capital raised will significantly expedite development, as we continue to progress towards lithium production and further capitalise on the shift towards an electric future.

“During the Quarter, further successful test work was undertaken by Hazen Research on lithium mineralised material, and with the processing flow sheet determined, the Scoping Study is now underway representing an important step in the sustainable development of the Project.

“We further bolstered the AZL team with the appointment of Brett Rabe as Chief Technical Officer. Brett contributes significant experience in lithium project management and engineering, having held the instrumental role of Former VP of Engineering and Project Management at Lithium Americas Corp for the Thacker Pass Project in Nevada, the most comparable project to Big Sandy.

“Aligned with our sustainable goals and commitment to low emission production of lithium, AZL entered an MOU with Nikola Corporation during the Quarter to purchase battery electric vehicles, which will be used both during the Research and Processing Facility Stage.

“I would like to thank shareholders for their support to date and we look forward to an exciting 2022 for AZL as we continue to progress towards lithium production at Big Sandy.”

## AZL Raises \$32.5m to Fast Track Development of Big Sandy

On 31 March, AZL announced that it had received firm commitments to raise \$32.5 million (before costs), to fast track the development of Big Sandy. Funds raised will also be used for a demonstration/pilot plant, potential associated land purchases and exploration.

Finalised in April 2022, the capital was raised through a strongly supported share placement to institutional and professional investors at \$0.125 per share (“New Shares”) with one free attaching option per two New Shares (“Placement”). The options are exercisable at \$0.18 each expiring two years from the date of issue (“Options”), with the proceeds from the exercise of the Options to provide further funding to develop the Project. It should be noted the issue of the Options are subject to shareholder approval. The Company intends to quote these options subject to meeting the ASX’s minimum listing requirements.

## Commencement of Scoping Study

In February 2022, AZL announced the commencement of the scoping study for the Project, with the Company engaging Tucson, Arizona-based Ausenco Engineering USA South, Inc. (“Ausenco”) to complete the study.

With the metallurgical advances and the BLM approval of a Stage 3 drilling program pending, the Company has been focused on project implementation with Ausenco to examine all aspects of the Project from mining, through to processing and production. Promising new avenues are emerging to capitalise on the excellent infrastructure near the Big Sandy Lithium Project in Arizona, coupled with the strong Federal and Arizona stakeholder support for lithium and battery development.

Ausenco, with their experience in lithium and a wide range of global resource development projects in both the study and execution phases, are evaluating extraction, treatment and transportation options to create optimum value by:

- Identifying key cost centres enabling process and project valuation optimisation;
- Examining methods to lower water use while creating a favourable environmental and carbon footprint; and
- Using their vast experience in incorporating Environmental, Social and Governance (ESG) inputs into the analysis to fulfil Arizona Lithium’s goal of minimizing its carbon footprint.

Ausenco will also work closely with Hazen Research who are nearing the completion of bench- scale testing program and concurrently completing test work to improve product quality and reduce operating costs by employing promising new technologies for:

- Leach solution purification using ion exchange;
- Improved crystallisation methods for the final product; and
- Further recovery of lithium from beneficiation waste.

Planning is currently underway to construct a demonstration plant and product qualification capabilities in Arizona.

## Hazen Research Testwork

In January 2022, Arizona Lithium announced that Testing by Hazen Research on mineralised material from Big Sandy had continued to deliver highly encouraging results, with the processing flow sheet determined, prior to AZL advancing with the scoping study<sup>1</sup>:

- Bench-scale work on ore beneficiation produced a concentrate containing 71% of the lithium in 36% of the whole ore mass.
- Four-hour duration leaching tests on the concentrate at 70°C yielded 87% lithium extraction.
- The sulfuric acid consumption was 490 kg/mt on the beneficiated concentrate, the equivalent of 176 kg/mt whole ore.
- Ongoing test work is ramping up to produce larger quantities of beneficiated concentrate to increase the scale of the leaching tests enabling leach circuit optimisation.
- Sufficient quantities of leach solutions will be produced for optimisation of purification methods and the production of battery grade lithium carbonate, with Hazen producing “battery grade” 99.85% lithium carbonate in previous test work on the Big Sandy lithium mineralised material.

## Appointment of Brett Rabe as Chief Technical Officer

In March 2022, the Company announced the appointment of Brett Rabe as Chief Technical Officer of the Company, adding significant lithium project management and engineering experience to the existing management team.

He is the Former VP of Engineering and Project Management at Lithium Americas Corp for the Thacker Pass Project in Nevada, the largest known lithium resource in the United States, and the most comparable project to Big Sandy.

Mr Rabe is currently the President of Project Development & Assessment Consultants LLC, specialising in project development and assessment for clients involved in the production of lithium battery chemicals, particularly in early stages of project development.

His former roles include Senior Process Engineer at Jacobs in Arizona, a leading engineering firm with 55,000 staff across 40 countries, Plant Manager and Senior Process Engineer at Simbol Materials and Operations Manager at Elementis Global.

## MOU with Nikola Corporation for the Purchase of BEV's

During the Quarter, AZL entered into a Memorandum of Understanding (“MOU”) with Nikola Corporation (NASDAQ: NKLA) to purchase battery electric vehicles (BEV's) to support the development of Big Sandy.

Once the Processing Facility is operational, AZL anticipates that it may need to acquire up to 50 Nikola Tre BEVs, although this is not certain and is dependent on various factors, which could move up to two million tons of ore per year based on the volume of the truck. Under the MOU, AZL then has the option to purchase up to 100 trucks depending on Big Sandy output.

The Tre BEVs will be utilized to support two stages of development for the Big Sandy Lithium Project in Arizona — the Research Facility Phase and the Processing Facility Phase. During the Research

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<sup>1</sup> ASX Announcement 20 January 2022, Outstanding Metallurgical Testwork Results - Big Sandy Lithium Project

Facility Phase, which will be a test run for the Processing Facility Phase, one Nikola Tre BEV will be placed into operation as both parties explore further opportunities for a potential joint collaboration.

## BIG SANDY LITHIUM PROJECT

Arizona Lithium is well positioned with its Big Sandy Sedimentary Lithium Project (“Big Sandy”, “Project”) strategically located in Arizona (ranked #5 by 2021 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.



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

### FOR FURTHER INFORMATION PLEASE CONTACT:

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## Appendix 1: Schedule of Mining Tenements

The following information is provided pursuant to Listing Rule 5.3.3 for the quarter ended 31 March 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%
Kangwane South	N/A	Mpumulanga Province, South Africa	70%

There were no acquisitions or divestments 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 2022 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 MARCH 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(443)	(1,386)
(b) development	-	-
(c) production	-	-
(d) staff costs	(122)	(460)
(e) administration and corporate costs	(216)	(1,834)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	9
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(778)</b>	<b>(3,671)</b>
<b>2. Cash flows from investing activities</b>		
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 (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	-	248
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	-	<b>248</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	13,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	2,423	7,440
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>2,423</b>	<b>19,631</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	19,513	4,950
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(778)	(3,671)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	248
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,423	19,631



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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>21,158</b>	<b>21,158</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	7,658	16,013
5.2	Call deposits	13,500	3,500
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>21,158</b>	<b>19,513</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	121
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

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<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 <b>Total financing facilities</b>	-	-
7.5 <b>Unused financing facilities available at quarter end</b>		-
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.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(778)
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)	(778)
8.4 Cash and cash equivalents at quarter end (item 4.6)	21,158
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	21,158
8.7 <b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	27
<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: 29 April 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.