



Arizona Lithium Limited
Interim Financial Report
for the half-year ended 31 December 2021

ABN 15 008 720 223

Contents

Corporate Directory.....	2
Directors' Report	3
Auditor's Independence Declaration	5
Financial Statements	6
Notes to the Financial Statements	11
Directors' Declaration.....	19
Independent Auditor's Review Report.....	20

Corporate directory

Directors	Mr Barnaby Egerton-Warburton Non-Executive Chairman
	Mr Paul Lloyd Managing Director
	Mr Matthew Blumberg Executive Director
Company Secretary	Ms Oonagh Malone
Registered Office	Level 1, 10 Outram Street West Perth WA 6005
Share register	Automic Registry Services Level 5, 191 St Georges Terrace Perth, WA 6000
Auditor	HLB Mann Judd (WA Partnership) Level 4 130 Stirling Street Perth WA 6000
Securities exchange listing	Australian Securities Exchange Level 40, Central Park 152 – 158 St Georges Terrace Perth Western Australia 6000 Code: AZL

Directors' report

The Directors present their interim financial report, together with the consolidated financial statements of Arizona Lithium Limited ("the Company") and its controlled entities ("the Group"), for the half-year ended 31 December 2021. The Company's name was changed from Hawkstone Mining Limited to Arizona Lithium Limited on 2 September 2021.

DIRECTORS

The following directors held office during and since the end of the half-year, unless otherwise stated:

- Mr Barnaby Egerton-Warburton
- Mr Paul Lloyd
- Mr Matthew Blumberg (appointed 11 October 2021)
- Mr Greg Smith (resigned 17 November 2021)

COMPANY SECRETARY

The Company Secretary is Ms Oonagh Malone, who was appointed on 23 February 2015.

PRINCIPAL ACTIVITIES & REVIEW OF OPERATIONS

During the half-year, Arizona Lithium continued exploration of its lithium projects in the USA while it evaluated potential acquisitions of additional projects.

In September 2021, the Company disposed of its gold projects in the USA via the demerger of Diablo Resources Limited. The shares received as consideration on the demerger were distributed in-specie to the Company's shareholders.

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 20 January 2022, the Company issued 2,212,049 shares on the exercise of options with an exercise price of \$0.0153 each and 16,000,000 shares on the exercise of options with an exercise price of \$0.0453 each raising a total of \$758,644.

On 2 February 2022, the Company issued 1,148,079 shares on the exercise of options with an exercise price of \$0.0153 each and 1,000,000 shares on the exercise of options with an exercise price of \$0.06 each raising a total of \$77,566.

On 15 February 2022, the Company issued 200,000 shares on the exercise of options with an exercise price of \$0.12 each raising a total of \$24,000.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Directors' report

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is included within this financial report.

This report is signed in accordance with a resolution of the Board of Directors.

On behalf of the Board of Directors,

A handwritten signature in black ink, appearing to be 'B. Egerton-Warburton', with a small dot at the end.

Mr Barnaby Egerton-Warburton
Non-Executive Chairman

Dated this 11th day of March 2022

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Arizona Lithium Limited for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
11 March 2022



L Di Giallonardo
Partner

hlb.com.au

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2021

		31 December 2021	31 December 2020
	Note	\$	\$
Other income	2	5,219	24,532
Share-based payments expense	9	(6,415,970)	(118,148)
Corporate and regulatory expenses		(450,429)	(82,715)
Directors' fees		(214,775)	(166,937)
Exploration and evaluation expensed		(403,646)	(1,265,809)
Foreign exchange gain / (loss)		(35,351)	31,714
Gain on / (impairment of) financial asset	4	12,487	(12,206)
Exploration and evaluation expenditure expensed on acquisition of mineral exploration interests		-	(48,065)
Administrative expenses		(824,317)	(196,100)
Loss before income tax expense		(8,326,782)	(1,833,734)
Income tax expense		-	-
Loss after income tax from continuing operations attributable to members of Arizona Lithium Limited		(8,326,782)	(1,833,734)
Operations of disposal group (discontinued operation)			
Exploration and evaluation expensed	12	(427)	(29,084)
Gain on demerger of subsidiaries	14	6,396,170	-
Profit from disposal group		6,395,743	(29,084)
Loss attributable to members of Arizona Lithium Limited		(1,931,039)	(1,862,818)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange difference on translation of foreign controlled entities, net of tax		22,365	(2,353)
Total comprehensive loss for the period		(1,908,674)	(1,865,171)
Loss per share attributable to the ordinary equity holders of the Company			
Basic loss per share in cents	3	(0.11)	(0.14)
Diluted loss per share in cents	3	(0.11)	(0.14)
Loss per share from continuing operations attributable to the ordinary equity holders of the Company			
Basic loss per share in cents	3	(0.47)	(0.14)
Diluted loss per share in cents	3	(0.47)	(0.14)

The accompanying notes form part of these financial statements.

Condensed consolidated statement of financial position as at 31 December 2021

	Note	31 December 2021 \$	30 June 2021 \$
CURRENT ASSETS			
Cash and cash equivalents		19,514,375	4,951,159
Trade and other receivables		168,995	52,065
Prepayments		52,140	14,722
TOTAL CURRENT ASSETS		19,735,510	5,017,946
NON-CURRENT ASSETS			
Other financial assets	4	362,206	363,412
TOTAL NON-CURRENT ASSETS		362,206	363,412
TOTAL ASSETS		20,097,716	5,381,358
CURRENT LIABILITIES			
Trade and other payables		146,930	512,130
TOTAL CURRENT LIABILITIES		146,930	512,130
TOTAL LIABILITIES		146,930	512,130
NET ASSETS		19,950,786	4,869,228
EQUITY			
Contributed equity	5	90,253,140	79,616,174
Reserves		11,718,501	4,555,966
Accumulated losses		(82,020,855)	(79,302,912)
TOTAL EQUITY		19,950,786	4,869,228

The accompanying notes form part of these financial statements.

Condensed consolidated statement of changes in equity for the half-year ended 31 December 2021

	Issued shares	Share based payment reserve	Foreign translation reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
At 1 July 2021	79,616,174	6,795,047	(2,239,081)	(79,302,912)	4,869,228
Comprehensive Loss					
Loss for period	-	-	-	(1,931,039)	(1,931,039)
Other comprehensive income for the period, net of tax	-	-	22,365	-	22,365
Total comprehensive loss for the period	-	-	22,365	(1,931,039)	(1,908,674)
Transactions with owners, in their capacity as owners, and other transfers					
Shares issued during the period	18,016,533	-	-	-	18,016,533
Share issue costs	(1,484,247)	724,200	-	-	(760,047)
Share-based payments	-	6,415,970	-	-	6,415,970
Capital distribution and demerger dividend (Note 14)	(5,895,320)	-	-	(786,904)	(6,682,224)
At 31 December 2021	90,253,140	13,935,217	(2,216,716)	(82,020,855)	19,950,786

The accompanying notes form part of these financial statements.

Condensed consolidated statement of changes in equity for the half-year ended 31 December 2021

	Issued shares	Share based payment reserve	Foreign translation reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
At 1 July 2020	71,841,949	6,383,622	(2,180,028)	(75,846,999)	198,544
Comprehensive Loss					
Loss for period	-	-	-	(1,862,818)	(1,862,818)
Other comprehensive income for the period, net of tax	-	-	(2,353)	-	(2,353)
Total comprehensive loss for the period	-	-	(2,353)	(1,862,818)	(1,865,171)
Transactions with owners, in their capacity as owners, and other transfers					
Shares issued during the period	5,370,001	-	-	-	5,370,001
Share issue costs	(318,331)	-	-	-	(318,331)
Share-based payments	-	216,098	-	-	216,098
At 31 December 2020	76,893,619	6,599,720	(2,182,381)	(77,709,817)	3,601,141

The accompanying notes form part of these financial statements.

Condensed consolidated statement of cash flows for the half-year ended 31 December 2021

	31 December 2021 \$	31 December 2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(2,897,825)	(2,175,874)
Interest received	5,219	269
Grant income	-	24,263
Net cash used in operating activities	(2,892,606)	(2,151,342)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from loan repayment	247,788	-
Net cash provided by investing activities	247,788	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of share issues	18,016,534	5,370,001
Cost of share issues	(808,500)	(220,381)
Net cash provided by financing activities	17,208,034	5,149,620
Net increase in cash and cash equivalents	14,563,216	2,998,278
Cash and cash equivalents at the beginning of the period	4,951,159	230,752
Effects of exchange rate changes on cash and cash equivalents	-	(2,094)
Cash and cash equivalents at the end of the period	19,514,375	3,226,936

The accompanying notes form part of these financial statements.

Notes to the financial statements

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The interim financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 “Interim Financial Reporting”, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards.

The interim financial report covers Arizona Lithium Limited (“the Company”) and controlled entities (“the Group”). The Company is a for-profit entity limited by shares, and incorporated and domiciled in Australia.

The interim financial report has been prepared on an accruals basis and is based on historical cost modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. All amounts are presented in Australian Dollars. The interim financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the normal course of business.

The interim report does not include full disclosures of the type normally included in an annual financial report.

The interim financial report, including comparatives, should be read in conjunction with the annual Financial Report of Arizona Lithium Limited for the year ended 30 June 2021 and any public announcements made by the Company during the half year in accordance with the continuous disclosure obligations arising under the Australian Securities Exchange Listing Rules and Corporations Act 2001.

Significant Accounting Policies

Other than as discussed below, the significant accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company’s annual financial report for the financial year ended 30 June 2021 and have been consistently applied by the entities in the Group. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

New and Amended Accounting policies adopted by the Group

The Group has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these new and revised Accounting Standards and Interpretations has not resulted in a significant or material change to the Group’s accounting policies.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted by the Group. The Directors have determined that there is no material impact of these standards and interpretations.

Notes to the financial statements

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting estimates and judgements

The preparation of the interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Apart from the fair value of the demerger detailed further in note 14, the judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2021.

2 OTHER INCOME

	31 December 2021 \$	31 December 2020 \$
Interest received	5,219	269
Government grants	-	24,263
Total revenue from ordinary activities	5,219	24,532

3 LOSS PER SHARE

	31 December 2021	31 December 2020
Weighted average number of ordinary shares used in the calculation of basic/diluted loss per share (number)	1,776,892,580	1,293,602,443
Basic/diluted loss (\$)	(1,931,039)	(1,862,818)
Basic/diluted loss per share (cents)	(0.11)	(0.14)
Basic/diluted loss from continuing operations (\$)	(8,326,782)	(1,833,734)
Basic/diluted loss per share from continuing operations (cents)	(0.47)	(0.14)

The diluted loss per share is equal to the basic loss per share because there were no dilutive potential ordinary shares.

Notes to the financial statements

4 OTHER FINANCIAL ASSETS

	31 December 2021 \$	30 June 2021 \$
NON CURRENT		
Mining rehabilitation bond – South Africa	310,530	312,869
Mining rehabilitation bond – USA	31,676	30,543
Other financial asset	20,000	20,000
Total	362,206	363,412

In 2017, the Company paid a mining rehabilitation bond of \$570,933 (ZAR 5,574,974) to secure access to the Kangwane South Project. This has been revalued to \$482,189 at 31 December 2021 (30 June 2021: \$497,015) due to movements in the AUD:ZAR exchange rate, before a \$171,659 (30 June 2021: \$184,146) loss allowance is recognised against this asset based on the Directors' estimate of losses following consideration of unbiased probability-weighted amounts that are determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

5 CONTRIBUTED EQUITY

Contributed equity consists of the following:

	31 December 2021 \$	30 June 2021 \$
Issued shares	90,253,140	79,616,174
Total	90,253,140	79,616,174

	Number of shares Half Year to 31/12/21	Number of shares Year to 30/06/21	Half-year to 31/12/21 \$	Year to 30/06/21 \$
Opening balance	1,656,034,601	1,064,073,442	79,616,174	71,841,949
Placement	-	291,666,667	-	3,500,000
Shares issued under cleansing prospectus at \$0.012 per share	-	100	-	1
Issue of shares on exercise of options	-	300,294,392	-	4,592,555
Placement	173,333,332	-	13,000,000	-
Issue of shares on exercise of options	147,838,394	-	5,016,533	-
Capital reduction (Note 14)	-	-	(5,895,320)	-
Capital raising costs	-	-	(1,484,247)	(318,331)
Closing balance	1,977,206,327	1,656,034,601	90,253,140	79,616,174

Notes to the financial statements

6 SEGMENT INFORMATION

During the half year, the Group's operations consisted of exploration for gold and lithium in USA, and corporate functions and South African exploration interests that were managed from Australia.

The Board is the chief operating decision maker. All amounts reported to the Board are determined in accordance with accounting policies that are consistent with financial reporting requirements. Intra-group loans are valued in Australian dollars with no interest charged. There are no intragroup eliminations because assets used across the Group and all trade payables are allocated to the Australian segment, with all assets, liabilities and transactions controlled from Australia.

(i) Segment performance

	Australia Half-year ended 31 December		United States Half-year ended 31 December		Consolidated Half-year ended 31 December	
	2022	2021	2022	2021	2022	2021
	\$	\$	\$	\$	\$	\$
Interest income	5,219	269	-	-	5,219	269
Grant income	-	24,263	-	-	-	24,263
Total income	5,219	24,532	-	-	5,219	24,532
Segment result:						
Loss after income tax	(7,254,086)	(536,542)	5,323,047	(1,326,276)	(1,931,039)	(1,862,818)

(ii) Segment financial position

	Australia		United States		Consolidated	
	As at 31 Dec 2021	As at 30 June 2021	As at 31 Dec 2021	As at 30 June 2021	As at 31 Dec 2021	As at 30 June 2021
	\$	\$	\$	\$	\$	\$
Segment assets	20,086,336	5,370,367	11,380	10,991	20,097,716	5,381,358
Segment liabilities	(146,930)	(512,130)	-	-	(146,930)	(512,130)
Segment net assets	19,939,406	4,858,237	11,380	10,991	19,950,786	4,869,228

Notes to the financial statements

7 FINANCIAL INSTRUMENTS

Fair Value Measurement

The Group has a number of financial instruments which are not measured at fair value on a recurring basis. The fair value of these financial assets and financial liabilities approximate their carrying amounts.

8 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 20 January 2022, the Company issued 2,212,049 shares on the exercise of options with an exercise price of \$0.0153 each and 16,000,000 shares on the exercise of options with an exercise price of \$0.0453 each raising a total of \$758,644.

On 2 February 2022, the Company issued 1,148,079 shares on the exercise of options with an exercise price of \$0.0153 each and 1,000,000 shares on the exercise of options with an exercise price of \$0.06 each raising a total of \$77,566.

On 15 February 2022, the Company issued 200,000 shares on the exercise of options with an exercise price of \$0.12 each raising a total of \$24,000.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

9 SHARE BASED PAYMENTS

The following share based payment transactions occurred or were recognised during the half-year:

- 29,000,000 \$0.06 share options expiring 11/10/2024 were issued to the executive director and management in October 2021. These options were valued at \$664,680 and were fully expensed.
- 70,000,000 \$0.06 share options expiring 11/10/2024 were issued to non-executive chairman and managing director in November 2021 following shareholder approval obtained at the 2021 Annual General Meeting. These options were valued at \$5,875,100 and were fully expensed.
- 20,000,000 \$0.12 Lead manager options expiring 10/11/2022 with a total value of \$724,200 were recognised during the half year as a capital raising cost and issued in November 2021.

All share options issued during the half year vested immediately. During the half year, there was an amount of \$123,810 previously expensed that was reversed relating to 82,500,000 director options issued in a prior period that were forfeited because the conditions have not been or have become incapable of being satisfied. This resulted in a total amount of \$6,415,970 (2020: \$118,148) being recognised as a share based payment expense and \$724,200 (2020: \$97,950) being recognised as a capital raising cost.

Notes to the financial statements

9 SHARE BASED PAYMENTS (CONTINUED)

Fair values of share options issued are determined using the Black-Scholes model based on information available as at the measurement date, considering the exercise price, term of option, the share price at grant date, expected price volatility of the underlying share, expected yield and the risk-free interest rate for the term of the option. Parameters for all share options issued during the period were:

	Director and Management options	Director options	Lead Manager options
Measurement date	11/10/2021	16/11/2021	10/11/2021
Issue date	11/10/2021	23/11/2021	11/11/2021
Expiry date	11/10/2024	11/10/2024	10/11/2022
Dividend yield	-	-	-
Expected volatility	100%	100%	100%
Risk-free interest rate	0.44%	0.44%	0.87%
Expected life of options (years)	3.00	2.90	1.00
Underlying share price	\$0.042	\$0.115	\$0.105
Option exercise price	\$0.06	\$0.06	\$0.12
Value per option	\$0.02292	\$0.08393	\$0.03621
Number of options issued	29,000,000	70,000,000	20,000,000
Value of options	\$664,680	\$5,875,100	\$724,200
Amount expensed during half year	\$664,680	\$5,875,100	-
Capital raising cost recognised during half year	-	-	\$724,200

10 RELATED PARTY TRANSACTIONS AND BALANCES

Mr Lloyd is a related party of Coral Brook Pty Ltd. Coral Brook Pty Ltd was reimbursed administration fees of \$Nil for the half-year (half-year ended 31 December 2020: \$19,027).

11 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As a condition for the execution of the Kangwane South mining right, an environmental bond of ZAR5,574,974 (\$310,530 at 31 December 2021 after loss allowance of \$171,659) was required by the South African Department of Mineral Resources prior to the commencement of mining activities on the tenement. This was paid on 17 February 2017 and is disclosed in note 4. However, no related liability is included in the Consolidated Statement of Financial Position. Following the cessation of active exploration activity on the project by the Group and the intended disposal, this contingent liability has been replaced by the loss allowance.

Notes to the financial statements

12 DISPOSAL GROUP (DISCONTINUED OPERATION)

The Group is intending to discontinue the Kangwane South Project. This meets the definitions of a discontinued operation and a disposal group.

The following exploration expenditure for the Kangwane South Project has been attributed to this disposal group.

	31 December 2021 \$	31 December 2020 \$
Operations of disposal group		
Exploration and evaluation	(427)	(29,084)
Loss from disposal group	(427)	(29,084)

Although the mining rehabilitation bond of \$320,078 disclosed in note 4 is for the Kangwane South project, this has not been reclassified as relating to a disposal group both because this bond may be treated in a manner outside the scope of the definition of a disposal group, and because impairment considerations for this bond under AASB 9 Financial Instruments are clearer if this bond is disclosed separately. The bond has not been included as relating to the disposal group because it may be recovered in a separate transaction. There are no other assets or liabilities related to this asset that would form part of a disposal group because all administration functions are performed directly by the parent entity and no South African entity in the Group operates bank accounts or processes accounts payable.

A foreign currency translation reserve balance of \$726,525 relates to this disposal group (30 June 2021: \$2,210,379), but may only be reclassified to profit or loss on actual disposal.

13 CONTROLLED ENTITIES

During the half year, the following entities were incorporated or disposed of:

	Percentage Interest	Country of incorporation
Trout Creek Ranch Pty Ltd	100%	Australia
Trout Creek Ranch LLC	100%	United States
HWK Idaho Pty Ltd	-*	Australia
Ounces High Exploration Inc	-*	United States
HWK Utah Pty Ltd	-*	Australia
Roughhead Exploration Inc	-*	United States
HWK Nevada Pty Ltd	-*	Australia
HWK Nevada Inc	-*	United States
Diablo Resources Limited	-*	Australia

*These companies were sold to Diablo Resources Limited as part of the demerger set out in Note 14.

**Diablo Resources Limited was incorporated during the period to acquire the subsidiaries listed above (*) as part of the demerger set out in Note 14.

Other than as stated above, there have been no changes in controlled entities, their countries of operation or their functional currencies during the half-year.

Notes to the financial statements

14 DISCONTINUED OPERATIONS

Demerger – Gold-Copper Projects

On 2 September 2021, shareholders approved:

- the sale the subsidiaries listed in Note 13 which owned of the Devil’s Canyon Gold-Copper Project, the Western Desert Gold-Copper Project and the Lone Pine Gold Copper Project (together the “Gold-Copper Projects”) to Diablo Resources Limited (“Diablo”) for consideration of 40,000,000 fully paid shares in Diablo;
- the reduction in share capital of the Company without cancelling any shares by the market value of the 40,000,000 Diablo shares; and
- that the reduction be satisfied by the Company distributing and transferring the 40,000,000 Diablo Shares to the shareholders of the Company on a pro rata basis.

The transaction was completed on 6 October 2021 and Diablo was admitted to the Official List of the ASX on 12 October 2021, following the successful completion of an initial public offering raising \$6.5 million before costs.

Following the demerger, the Company is a US focussed lithium company, with the Big Sandy and Lordsburg Projects. Corporately, the Company retains its board, management team and cash holdings.

The Gold-Copper Projects were demerged with their explorations assets and no debt.

The Group recognised a net fair value gain on demerger as follows:

	31 December 2021
	\$
Fair value of Gold-Copper Projects demerger ⁽ⁱ⁾	6,682,224
Carrying value of net assets	(286,054)
Net fair value gain	<u>6,396,170</u>

⁽ⁱ⁾ The fair value of the Diablo demerger is based on the first five trading days after the demerger date volume weighted average price (“VWAP”) of Diablo (\$0.1671) multiplied by the number of Diablo shares issued (40,000,000 ordinary shares). The demerger distribution is accounted for as a reduction in equity, split between share capital of \$5,895,320 and accumulated losses of \$786,904. The amount treated as a reduction in share capital has been calculated by reference to the market value of the Company’s shares and the market value of Diablo’s shares post demerger. The difference between the fair value of the distribution and the capital reduction amount is the demerger dividend.

Directors' declaration

In accordance with a resolution of the Directors of Arizona Lithium Limited, we state that:

- 1) In the opinion of the Directors:
 - a) the interim financial statements and supplementary notes, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the Group as at 31 December 2021 and of its performance, as represented by the results of its operations and its cash flows, for the period ended on that date; and
 - (ii) complying with Accounting Standards AASB 134: *Interim Financial Reporting and the Corporations Regulations 2001*; and
 - b) there are reasonable grounds to believe that Arizona Lithium Limited will be able to pay its debts as and when they become due and payable.
- 2) The Directors have been given the declarations required by section s.303(5) of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors:



Mr Barnaby Egerton-Warburton

Non-Executive Chairman

Dated this 11th day of March 2022

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Arizona Lithium Limited

Report on the Condensed Half-Year Financial Report*Conclusion*

We have reviewed the accompanying half-year financial report of Arizona Lithium Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2021, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Arizona Lithium Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

hlb.com.au

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849

T: +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
11 March 2022



L Di Giallonardo
Partner