



DIABLO RESOURCES LIMITED

ACN: 649 177 677

**Consolidated Interim Financial Report
For The Half-Year Ended
31 December 2021**

DIABLO RESOURCES LIMITED

ACN: 649 177 677

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DIABLO RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

DIRECTOR'S REPORT

Your directors present their interim report on the Group comprising Diablo Resources Limited (the "Company") and its controlled entities ("the Group") for the half-year ended 31 December 2021.

Directors

The names of the directors in office at any time during, or since the end of, the period are as follows. Directors have been in office since the start of the period to the date of this report unless otherwise stated.

Mr Paul Lloyd (Non-Executive Chairman)
Mr Barnaby Egerton-Warburton (Non-Executive Director)
Mr Greg Smith (Non-Executive Director)

Principal Activities

The principal activity of the Company during the period was the initial public offering and admission to the Official List of the ASX and the exploration for minerals.

Review of Operations

The consolidated loss of the consolidated group for the financial period after providing for income tax amounted to \$404,798.

On 23 June 2021, Arizona Lithium Limited (formerly Hawkstone Mining Limited) ("Arizona Lithium") entered into a Share Sale Agreement with the Company to acquire HWK Idaho Pty Ltd, HWK Nevada Pty Ltd and HWK Utah Pty Ltd subject to certain conditions precedent. The acquisition was completed on 6 October 2021.

On 12 October 2021, the Company was admitted to the Official List of the ASX following the successful completion of an initial public offering ("IPO") raising \$6.5 million before costs.

Western Desert

In December 2021, drilling commenced at the 100% owned Western Desert Project, located in western Utah, USA and is expected to take 3-4 months to complete.

The program is planned at four priority target areas, including:

- Copper Blossom - with recent sampling returning up to 25 g/t Au, 77g/t Ag and 3.69% Cu¹
- Taco - with results of surface sampling up to 2.08% Cu, 1,495 g/t Ag and 20% Pb²
- A6 - targeting a pronounced gravity low and associated magnetic high
- A3 – N-S zone at the base of younger overthrust carbonate sequence with associated anomalous geochemistry

There is no evidence of drilling at any of the target areas, despite the surface mineralised outcrop, historical adits and shafts in the area and favourable geological setting. However, evidence of mechanised surface scraping's are widespread throughout the project.

Copper Blossom Prospect – Planned drilling at Copper Blossom is targeting outcropping, stacked, Au-Ag-Cu skarn-style mineralisation over +350m of strike with recent rock/grab sampling returning peak results of **25 g/t Au, 77g/t Ag and 3.69% Cu¹** in altered carbonates and sediments, lying on the southern limb of an easterly trending anticline parallel to and just north of an intrusive contact.

Outcrop sampling identified oxide mineralisation in both sediment and late intrusive rocks, inferring that the mineralising event is potentially younger than the granitoids outcropping south of Copper Blossom Prospect.

Taco Prospect – The Taco Prospect is defined as a combined magnetic-gravity anomaly coincident with a 800m long, northerly trending XRF (X-ray fluorescence) Cu/Pb soil geochemical trend encompassing the old workings. Peak results from rock/grab samples to **2.08% Cu, 1,495 g/t Ag and 20% Pb²** collected in 2020 are associated with breccia/alteration zones in northerly striking carbonate rocks. Drilling aims to initially test the source of the geophysical anomalism beneath the old workings.

A6 – The target was identified on satellite imagery as an area of dark and light-toned superficial soils in the broad southern area of alluvial outwash coincident with a pronounced gravity low and associated magnetic high². The target is on-trend to the south of the main N-S faults and geochemical anomalism associated with Target A3.

Extensive alluvial outwash masks all outcrop and it is interpreted that this gravity feature may represent a buried intrusive, with the associated magnetic features being attributed to possible skarn-style alteration as a carapace to the intrusive.

Review of Operations (continued)

A3 - The dominant structural grain across in the A3 target area is north-south resulting from compressive faults (thrust

DIABLO RESOURCES LIMITED AND ITS CONTROLLED ENTITIES DIRECTOR'S REPORT

and reverse) identified over a strike length of some 1500m. In part, these faults are marked by light or dark-toned zones which may represent alteration within these north-south trends in the younger post-Carboniferous overthrust section. Stream sediment sampling completed in 2020 outlined anomalous drainage areas (Au, Ag, Cu, As and Pb)² coincident with the fault/thrust zone².

Devils Canyon Project

The Company submitted the Devils Canyon maiden drill program permit application to the BLM.

Lone Pine Project

A drone magnetic survey completed with interpretation identifying further targets. The survey outlined several target areas and follow-up exploration is planned, including initial surface geochemical soil sampling.

These include:

- Three priority NW and NE structures structural intersections occupying a similar structural setting to the mineralisation observed at King Solomon.
- Interpreted later intrusives displaying a positive magnetic signature, potentially related to the gold mineralisation throughout the area.

Previous ASX Announcements/References

- 1 ASX Announcement 16/03/2020, -Acquisition of Western Desert Gold - Copper Project, Utah, USA-Hawkstone Mining Ltd
- 2 ASX Announcement 03/07/2021 -950% increase in Western Desert Copper-Gold Project--Hawkstone Mining Ltd

Significant Changes in the State of Affairs

On 20 September 2021, the Company issued 7,400,000 performance rights to directors with various performance hurdles to be achieved before they vest.

On 6 October 2021, the Company issued the following securities:

- 32,500,000 fully paid ordinary shares at an issue price of \$0.20 per share raising \$6.5 million (before costs);
- 2,000,000 fully paid ordinary shares at an issue price of \$0.20 per share to the Lead Manager and its nominees as part of the cost of the IPO;
- 40,000,000 fully paid ordinary shares at an issue price of \$0.20 per share to Arizona Lithium;

On 6 October 2021, the Company completed the acquisition of HWK Idaho Pty Ltd, HWK Nevada Pty Ltd and HWK Utah Pty Ltd from Arizona Lithium.

On 12 October 2021, the Company was admitted to the Official List of the ASX.

Other than stated above, no significant changes in the Company's state of affairs occurred during the financial period.

Events Subsequent to the End of the Reporting Period

On 14 February 2022, the Company issued 2,550,000 options exercisable at \$0.25 each expiring 10 February 2026 to management and consultants.

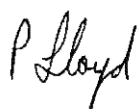
No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors



Paul Lloyd
Director
4 March 2022

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Diablo Resources 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
4 March 2022



M R Ohm
Partner

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DIABLO RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Note	31 December 2021 \$
Interest income		140
Foreign exchange gain		3,005
Corporate expenses		(169,519)
Listing expenses		(238,424)
Loss before tax		(404,798)
Income tax expense		-
Loss for the period		(404,798)
Other comprehensive income		(3,950)
Total comprehensive loss for the period attributable to the members		(408,748)
Basic and diluted loss per share (cents per share)	2	(1.17) cents

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

DIABLO RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	Consolidated 31 December 2021 \$	Company 30 June 2021 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	5,444,237	1
Other receivables		182,482	-
Prepayments		40,042	-
TOTAL CURRENT ASSETS		5,666,761	1
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	4	8,305,560	-
TOTAL NON-CURRENT ASSETS		8,305,560	-
TOTAL ASSETS		13,972,321	1
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		202,230	79,199
Borrowings		-	19,043
TOTAL CURRENT LIABILITIES		202,230	98,242
TOTAL LIABILITIES		202,230	98,242
NET ASSETS/(LIABILITIES)		13,770,091	(98,241)
EQUITY			
Issued capital	5	14,277,081	1
Reserves	6	(3,950)	-
Accumulated losses		(503,040)	(98,242)
TOTAL EQUITY/(DEFICIT)		13,770,091	(98,241)

The above statement of financial position should be read in conjunction with the accompanying notes.

DIABLO RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total \$
Balance at 1 July 2021	1	-	(98,242)	(98,241)
Loss for the period	-	-	(404,798)	(404,798)
Other comprehensive income	-	(3,950)	-	(3,950)
Total comprehensive loss for the period	-	(3,950)	(404,798)	(408,748)
<i>Equity transactions:</i>				
Issue of fully paid ordinary shares	14,900,000	-	-	14,900,000
Capital raising costs	(222,920)	-	-	(222,920)
Share-based payments – capital raising costs	(400,000)	-	-	(400,000)
Balance at 31 December 2021	14,277,081	(3,950)	(503,040)	13,770,091

The above statement of change in equity should be read in conjunction with the accompanying notes.

DIABLO RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

		31 December 2021
		\$
	Note	
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received		140
Payments to suppliers and employees		(267,573)
Net cash used in operating activities		<u>(267,433)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation expenditure		(293,267)
Net cash used in investing activities		<u>(293,267)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares		6,500,000
Payments for share issue costs		(247,276)
Repayment of borrowings	11	(247,788)
Net cash provided by financing activities		<u>6,004,936</u>
Net increase in cash held		5,444,236
Cash and cash equivalents at beginning of period		<u>1</u>
Cash and cash equivalents at end of period	3	<u>5,444,237</u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

DIABLO RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The interim consolidated financial report is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and Accounting Standard AASB 134: Interim Financial Reporting. Compliance with AASB 134 ensures that the financial report and notes also comply with International Financial Reporting Standards IAS 34: Interim Financial Reporting.

It is recommended that this consolidated interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2021 and any public announcements made by Diablo Resources Limited and its controlled entities (the "Group") during the half-year in accordance with the continuous disclosure requirements arising under the Corporations Act 2001 and ASX Listing Rules.

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

The interim consolidated financial report has been prepared on an accruals basis and is based on historical costs, cost is based on the fair value of the consideration given in exchange for assets.

Both the functional and presentation currency of the Company is in Australian dollars.

The Company was incorporated on 1 April 2021 and therefore there are no comparatives to the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows.

(b) Statement of compliance

The interim financial statements were authorised for issue on 4 March 2022.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS).

(c) New accounting standards and interpretations

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Standards and Interpretations applicable to 31 December 2021

In the period ended 31 December 2021, the Directors have reviewed all the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to Group accounting policies.

Accounting standards and interpretations issued but not yet effective

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Company for the reporting period ended 31 December 2021. The Directors have not early adopted any of these new or amended standards or interpretations. The Directors have not yet fully assessed the impact of these new or amended standards (to the extent relevant to the Company) and interpretations.

(d) Asset acquisition

Where an acquisition does not meet the definition of a business combination the transaction is accounted for as an asset acquisition. The consideration transferred for the acquisition of an asset comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs with regards to the acquisition are capitalised. Identifiable assets acquired and liabilities assumed in the acquisition are measured at their fair value at the acquisition date.

DIABLO RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Principles of Consolidation (continued)

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Diablo Resources Limited at the end of the reporting period. A controlled entity is any entity over which Diablo Resources Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities.

Where controlled entities have entered or left the group during the period, the financial performance of those entities are included only for the period of the period that they were controlled. Details of controlled entities are contained in Note 12.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

(f) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the period in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(g) Share based payments

Equity settled share-based compensation benefits are provided to employees (directors). The costs of equity-settled transactions are measured at fair value on grant date. The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and risk free interest rate for the term of the option.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Upon the exercise of options, the balance of the share-based payments reserve relating to these options is transferred to share capital.

The market value of shares issued to employees for no cash consideration under the employee share scheme is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares.

(h) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency. All figures presented in the financial report have been rounded to the nearest dollar.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

DIABLO RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Foreign Currency Transactions and Balances (continued)

Exchange differences arising on the translation of monetary items are recognised in the statement of profit or loss and other comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of profit or loss and other comprehensive income.

Controlled entities

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the period.
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of profit or loss and other comprehensive income in the period in which the operation is disposed. The functional currency of the subsidiary incorporated in the United States of America (refer Note 12) is the US Dollar (USD).

2. LOSS PER SHARE

The following reflects the income and data used in the calculations of basic and diluted earnings/(loss) per share:

	31 December 2021
	\$
Loss per share (cents)	(1.17)
Loss used in calculating basic and diluted loss per share	(404,798)
	# shares
Weighted average number of ordinary shares used in calculating basic loss per share:	34,467,214

3. CASH AND CASH EQUIVALENTS

	31 December 2021	30 June 2021
	\$	\$
Cash at bank and on hand	5,444,237	1

DIABLO RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

4. EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2021	30 June 2021
	\$	\$
Balance at the beginning of the period	-	-
Exploration and evaluation expenditure incurred during the period	339,214	-
Acquisition of HWK Utah Pty Ltd, HWK Nevada Pty Ltd and HWK Idaho Pty Ltd (Note 13)	7,966,346	-
Balance at the end of the period	<u>8,305,560</u>	<u>-</u>

The value of the exploration tenements carried forward is dependent upon:

- (a) The continuance of the Consolidated Entity's rights to tenure of the area of interest;
- (b) The results of future exploration; and
- (c) The recoupment of costs through successful development and exploitation of the areas of interest or alternatively by their sale.

5. ISSUED CAPITAL

(a) Issued Capital

	31 December 2021	30 June 2021
	\$	\$
Fully paid ordinary shares	14,900,001	1
Less: capital raising costs	<u>(622,920)</u>	<u>-</u>
	<u>14,277,081</u>	<u>1</u>

(b) Movement in ordinary share capital of the Company:

Date	Details	No. of Shares	Issue Price	\$
01/07/2021	Opening balance	1	\$1.00	1
06/10/2021	Initial public offering	32,500,000	\$0.20	6,500,000
	Acquisition of HWK Utah Pty Ltd, HWK Nevada Pty Ltd and HWK Idaho Pty Ltd (Note 13)	40,000,000	\$0.20	8,000,000
	Capital raising fee	<u>2,000,000</u>	\$0.20	<u>400,000</u>
31/12/2021	Closing balance	<u>74,500,001</u>		<u>14,900,001</u>

6. RESERVES

(a) Foreign currency translation reserve

	31 December 2021	30 June 2021
	\$	\$
Foreign currency translation reserve	<u>3,950</u>	<u>-</u>

(b) Nature and purpose of reserve

Foreign currency translation reserve

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign translation reserve. Exchange differences previously accumulated in the foreign translation reserve (in respect of translating the net assets of foreign operations) are reclassified to profit or loss on the disposal of the foreign operation.

DIABLO RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

7. SHARE-BASED PAYMENTS

(a) Shares

During the period, the Company issued 2,000,000 fully paid ordinary shares, valued at \$400,000 based on a value of \$0.20 per share, to the Lead Manager as a success fee (upon the successful admission of the Company to the ASX Official List).

(b) Performance Rights

During the period, the Company issued 7,400,000 Performance Rights to directors, broken down into the following classes:

	Number	Expiry Date
Class A	3,000,000	20/09/2024
Class B	2,300,000	20/09/2025
Class C	2,100,000	20/09/2026
Total	7,400,000	

The Performance Rights will have the following milestones attached to them:

- (i) Class A Performance Rights: Class A Performance Rights will convert into an equal number of Shares upon Diablo announcing the 50,000-ounce gold or gold equivalent inferred JORC Resource Estimate, within 36 months from the date of issue;
- (ii) Class B Performance Rights: Class B Performance Rights will convert into an equal number of Shares upon Diablo announcing a 100,000-ounce gold or gold equivalent inferred JORC Resource, within 48 months from the date of issue; and
- (iii) Class C Performance Rights: Class C Performance Rights will convert into an equal number of Shares upon Diablo announcing a 150,000-ounce gold or gold equivalent inferred JORC ounce Resource Estimate within 60 months from the date of issue.

No value has been recorded for the Performance Rights as the Company cannot predict whether the achievement of the above milestones is probable at the date of issue.

8. CONTINGENT LIABILITIES, LEASE COMMITMENTS AND CONTINGENT ASSETS

As at 31 December 2021 there were no contingent liabilities, lease commitments or contingent assets.

9. FINANCIAL RISK MANAGEMENT

The Company's financial instruments consistent mainly of deposits with banks, and accounts receivable and payables.

The carrying amounts of the current receivables, current payables and other liabilities are considered to be a reasonable approximation of their fair value.

10. SEGMENT NOTE

The directors have considered the requirements of AASB 8 – Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources and have concluded that at this time there are no separate identifiable business segments.

The operations and assets of Diablo Resources Limited and its controlled entities are employed in exploration activities relating to minerals in United States of America.

11. RELATED PARTY TRANSACTIONS

During the period, Arizona Lithium Limited, the Company's ultimate parent entity prior to admission into the Official List of the ASX, paid for costs relating to the IPO and initial corporate costs of \$247,788 which was repaid on completion of the IPO.

DIABLO RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

12. CONTROLLED ENTITIES

	Percentage Interest	Country of incorporation
Parent entity	2021	
Diablo Resources Limited		Australia
Particulars in relation to controlled entities		
HWK Idaho Pty Ltd	100%	Australia
Ounces High Exploration Inc	100%	United States
HWK Utah Pty Ltd	100%	Australia
Roughhead Exploration Inc	100%	United States
HWK Nevada Pty Ltd	100%	Australia
Hawkstone Nevada Inc	100%	United States

13. ACQUISITION OF SUBSIDIARIES

On 23 June 2021, Arizona Lithium Limited (formerly Hawkstone Mining Limited) ("Arizona Lithium") entered into a Share Sale Agreement with the Company to acquire HWK Idaho Pty Ltd, HWK Nevada Pty Ltd and HWK Utah Pty Ltd ("HWK Entities") subject to certain conditions precedent. The acquisition was completed on 6 October 2021.

Consideration

As consideration for the acquisition, the Company has agreed to issue Arizona Lithium 40,000,000 fully paid ordinary shares in the Company.

Accounting standard applied

The acquisition of the HWK Entities has been accounted for as an asset acquisition. The acquisition does not meet the definition of a business combination in accordance with AASB 3 Business Combinations (as the HWK Entities are considered for accounting purposes not to be a business). As such the acquisition has been accounted for as a share-based payment transaction using the principles of AASB 3 Business Combinations and AASB 2 Share-Based Payment.

The fair value of the consideration paid and allocation to net identifiable assets is as follows:

	\$
<i>Fair value of consideration paid:</i>	
40,000,000 fully paid ordinary shares	<u>8,000,000</u>
<i>Fair value of net identifiable assets acquired</i>	
Petty cash	42
Security deposit	33,611
Exploration and evaluation expenditure	<u>7,966,347</u>
	<u>8,000,000</u>

14. EVENTS AFTER THE REPORTING PERIOD

On 14 February 2022, the Company issued 2,550,000 options exercisable at \$0.25 each expiring 10 February 2026 to management and consultants.

There have been no other events subsequent to the financial period end that will affect the results as disclosed in this report.

DIABLO RESOURCES LIMITED

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Diablo Resources Limited, the directors of the Company declare that:

1. In the opinion of the directors:

- (a) the interim financial statements and notes of the Group are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial positions as at 31 December 2021 and of their performance for the half year ended on that date; and
 - (ii) complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements;
- (b) there are reasonable grounds to believe that the Company and the Group will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 303(5) of the Corporations Act 2001 for the half-year ended 31 December 2021.

On behalf of the Board



Paul Lloyd
Director
4 March 2022

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Diablo Resources Limited

Report on the Half-Year Financial Report*Conclusion*

We have reviewed the accompanying half-year financial report of Diablo Resources Limited ("the company") which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 consolidated entity 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 Diablo Resources Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity'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.

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

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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 consolidated entity'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
4 March 2022



M R Ohm
Partner