



Arizona Lithium Limited  
Annual Report

For the year ended 30 June 2023

ABN 15 008 720 223

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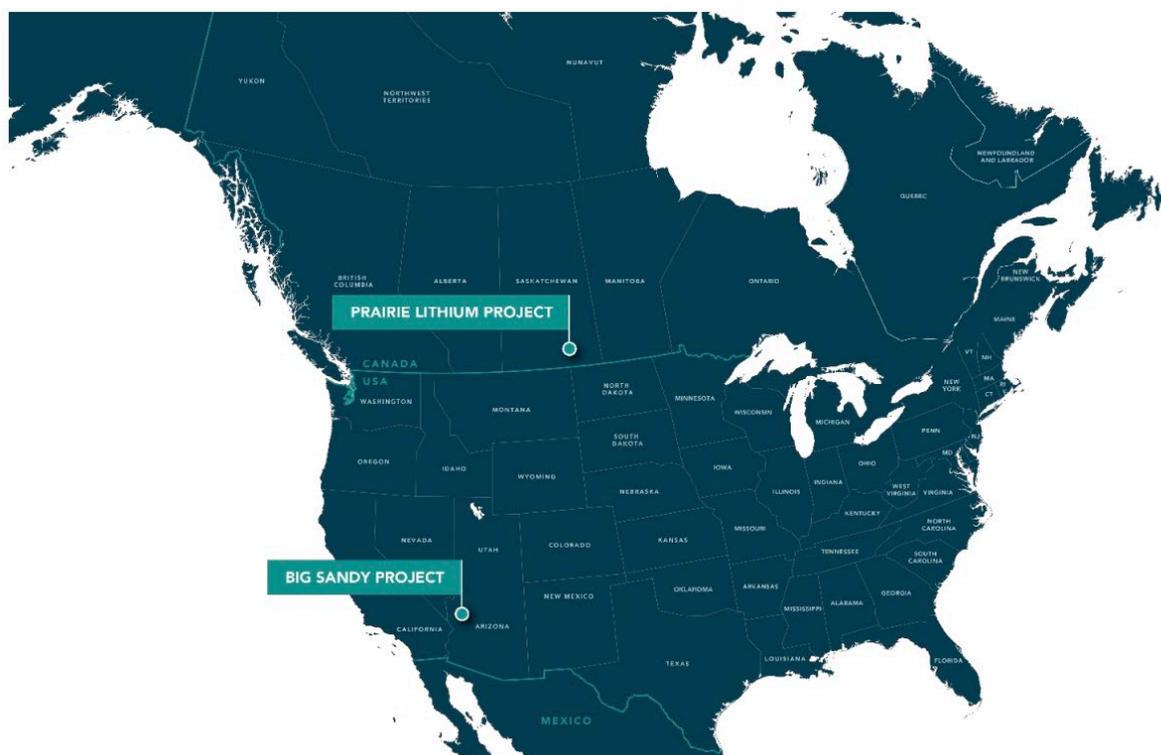
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## Corporate Directory

<b>Directors</b>	Mr Barnaby Egerton-Warburton - Non-Executive Chairman Mr Paul Lloyd - Managing Director Mr Matthew Blumberg - Executive Director Mr Zachary Maurer - Executive Director
<b>Company Secretary</b>	Mr Shaun Menezes
<b>Registered Office</b>	Level 2, 10 Outram Street West Perth WA 6005
<b>Share Registry</b>	Automic Registry Services Level 5, 126 Phillip Street Sydney NSW 2000 Tel: 02 9698 5414
<b>Auditor</b>	Grant Thornton Audit Pty Ltd Level 43 152-158 St Georges Terrace Perth WA 6000
<b>Securities Exchange Listing</b>	Australian Securities Exchange Level 40, Central Park 152 – 158 St Georges Terrace Perth WA 6000 Code: AZL

## Review of Operations

During the 2023 Financial Year, Arizona Lithium Limited (ASX:AZL) (the “**Company**” or “**AZL**”) made significant advancements across the portfolio of projects.



**Figure 1: Location of AZL’s Lithium development projects.**

### Key highlights included:

- Completion of the acquisition of Prairie Lithium Corporation (“**Prairie**”), representing a 1,200% increase to AZL’s global lithium Resource.
- Commenced Pre-Feasibility Study (“**PFS**”) at Prairie Lithium Project.
- Prairie awarded a grant of up to \$1.2m 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.
- Successful test well results from the Prairie Lithium Project demonstrated significant upside in well productivity and confirmed high lithium concentrations from the other wells drilled to date.
- Continued the build out of the world class Lithium Research Centre (“**LRC**”) in Tempe, Arizona at a fast pace.
- Contract signed with third party Direct Lithium Extraction (“**DLE**”) provider to mobilise pilot plant to Canada.
- Continued development of AZL’s proprietary DLE technology.
- Strategic Alliance Terms Sheet with Navajo Transitional Energy Company, LLC (“**NTEC**”), wholly owned by the Navajo Nation, to manage all permitting and contract mining services at Big Sandy.
- Acceleration of Big Sandy with the commencement of the Definitive Feasibility Study (“**DFS**”) with completion expected 3 months from drilling and the taking of a bulk sample, being approved by the Bureau of Land Management.
- Successfully identified targets interpreted to represent potential lithium mineralised brines within a north trending basin at the Lordsburg Lithium Project.

## Review of Operations

- Successfully upgraded the Prairie resource to 5.7 million tonnes (“mt”) of Lithium Carbonate Equivalent (“LCE”) (4 mt Indicated and 1.7 mt Inferred), representing a 39% increase in size. Representing the highest-grade Indicated Lithium Brine Resource in Canada.

### Corporate

- Appointment of Roth Capital Partners, a full service American investment bank, as North American capital markets advisor in relation to the proposed Nasdaq Listing.
- Completion of successful Share Purchase Plan (“SPP”) with total proceeds received of \$2.642m.
- Successful capital raising including a \$10m Placement in July 2023 and \$12m Placement in July 2022 to institutional and sophisticated investors.
- Strategic equity investment of US\$1.25m in Midwest Lithium AG, for approximately 11.5% of Midwest, with Midwest to benefit from AZL’s significant US lithium experience.
- Letter of Intent for a strategic partnership with Cemvita Factory Inc. to utilise Cemvita’s portable organic lixiviant production plant at the Company’s newly established Lithium Research Centre.

### **PRAIRIE LITHIUM PROJECT:**

#### Completion of Acquisition:

During the year, AZL acquired 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, in Saskatchewan, Canada.

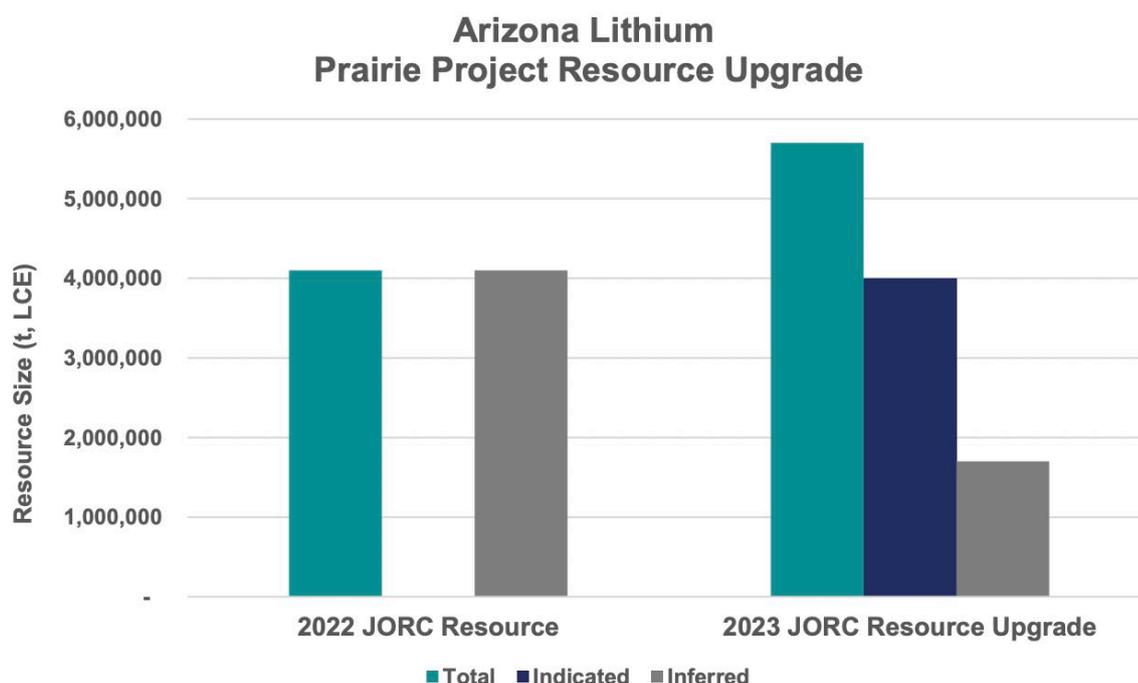
The acquisition also included a proprietary direct lithium extraction technology that removes lithium from brines and ore bodies, and a DLE technology plant in Saskatchewan, using brine from wells drilled at the Prairie Lithium Project.

In August 2023, the Company announced a Resource upgrade from 4.1 mt of Lithium Carbonate Equivalent (“**LCE**”)<sup>1</sup> to **5.7 mt of LCE**, (4 mt Indicated and 1.7 mt Inferred) representing a 39% increase in resource size (Figure 2).

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<sup>1</sup> Arizona Lithium - Agreement To Acquire Canada’s Highest Grade Lithium Brine Resource (21/12/22) (ASX: AZL)

## Review of Operations



**Figure 2: 2022 JORC Resource VS 2023 JORC Resource Upgrade**

This marks the first known lithium brine resource to be upgraded to Indicated in Saskatchewan and represents the highest-grade Indicated lithium brine resource in Canada. The majority of the targeted resource resides in the Middle Wymark Unit with a representative concentration of 127 mg/L Li.

The large Indicated resource enables the Company to complete a PFS which is expected at the end of 2023.

### Prairie Grant Funding:

The Company 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 entitled to receive up to C\$1.074m, which will be matched with funding from Prairie, and will be invested into DLE technology development. Prairie’s proprietary lithium extraction process technology may have a global application, with the process being tested on lithium resources from other jurisdictions, including the Big Sandy resource.

### Continued Development of DLE:

The Company continued the development of its proprietary DLE, with the Canadian test plant being relocated to the Lithium Research Centre (“**LRC**”) in Phoenix, Arizona. The LRC functions 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 Company evaluated DLE technologies based on:

- Extraction efficiency
- Lithium recovery
- Contaminant rejection
- Technology readiness
- Lithium recovery

## Review of Operations

The Company has completed the first two phases of offsite testing using third party DLE technology, which yielded highly encouraging results. Subsequently, AZL has elected to move forward with that technology and establish a larger Phase 3 DLE pilot plant in Saskatchewan, planned for November 2023, with the aim to scope and commercialise a DLE facility on its Prairie Project.

DLE evaluation is of the highest priority for the Board and management team as it would immediately unlock significant value for the Company and shareholders. The process of evaluating third party DLE providers and the development of the Company’s proprietary DLE technology, will be run in tandem to maximise the potential economic benefit for shareholders.

### Successful Test Well Results:

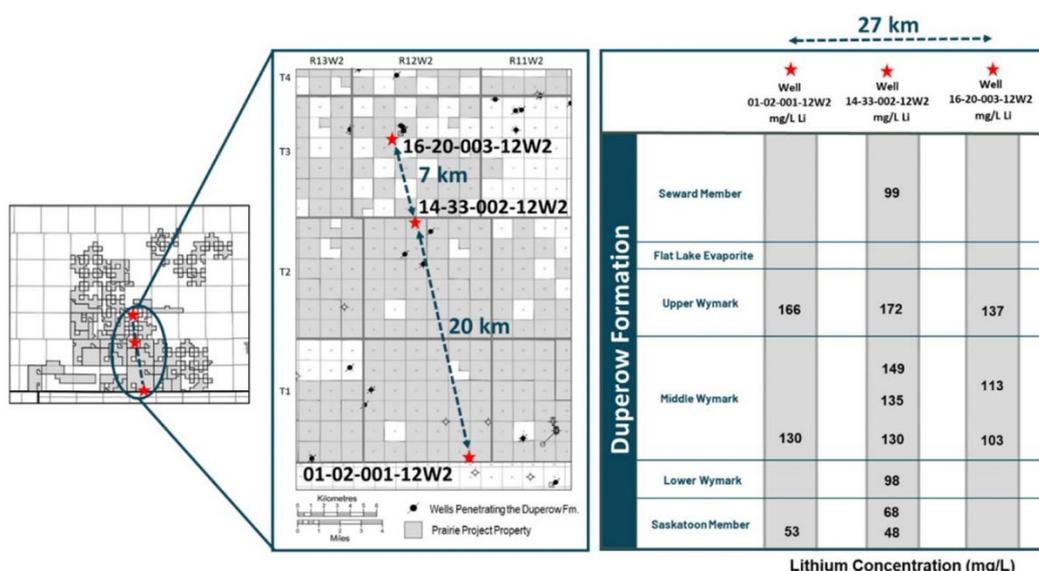
During the 2023 FY, the Company announced successful test results from the latest well at the Company’s Prairie Lithium Project, located in Saskatchewan Canada.

The Company re-entered a suspended oil well in southeast Saskatchewan on 17 October 2022. Operations commenced with cementing off the existing depleted oil production zone and deepening the well a further 169 metres to a total depth of 2,374 metres, to test the Duperow Formation for both lithium concentration and well productivity.

In the 16-20 well, the lithium concentration measured in the combined flow test was 104 mg/L. The lithium concentrations from three individual zones tested were 103 mg/L, 113 mg/L and 137 mg/L (Figure 1). These results, combined with the sampling programs completed on two wells in 2021, illustrate elevated levels of lithium in all test wells drilled to date.

Using flow parameters obtained from the combined pump test, consulting group Fluid Domains predicted a sustainable pumping rate of 2,700 m<sup>3</sup>/day over a three-year period, considerably higher than the design requirement for a field pilot plant.

The 16-20 well was pumped for 3.5 days at sustained rates of 200 m<sup>3</sup>/day and 400 m<sup>3</sup>/day to determine well performance and aquifer properties. A total of 875 m<sup>3</sup> of brine was pumped from the well, with 750m<sup>3</sup> of brine being stored for further testing. The produced brine will be used to continue the optimisation of the Company’s DLE technology which has processed over 400 m<sup>3</sup> of Duperow brine since inception.



**Figure 1 - Location map and representative lithium concentrations from Arizona Lithium’s test wells**

## Review of Operations

### **BIG SANDY LITHIUM PROJECT:**

#### Commencement of DFS:

The Company accelerated the development of the Big Sandy project with the commencement of the Definitive Feasibility Study (“**DFS**”) following the results from the Scoping Study, which was completed in October 2022. The Scoping Study identified unique opportunities using new extraction technology that will be fast-tracked for development and inclusion in the DFS. AZL’s Lithium Research Centre, will be the base of operations for technology development and collaboration with process equipment and battery manufacturers.

The DFS will feature design and development of the following:

- Minimisation of the carbon footprint associated with transportation of raw materials and finished products.
- Alternative lixiviants to strong inorganic acids.
- Development of a chemically stable and structurally sound leached tailing that can be used as direct backfill for mining and reclamation activities.
- Progressive reclamation of mining and tailing facilities.
- Direct conversion of a mid-stream lithium compound to battery-grade lithium carbonate and lithium hydroxide.
- Application of DLE.
- Reduction of water consumption.

#### Mediation Settlement Reached:

The Company announced that mediation initiated in 2021 had concluded and resulted in execution of a final binding confidential settlement agreement and mutual release 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).

#### Strategic Alliance with Navajo:

The Company entered a Strategic Alliance Term Sheet with Navajo Transitional Energy Company, LLC (“**NTEC**”), a limited liability company wholly owned by the Navajo Nation. The Strategic Alliance Term Sheet outlines the key terms of how it is proposed that NTEC will manage the development of Big Sandy from the permitting requirements for additional exploratory drilling through to DFS and mine construction. The Term Sheet allows the commencement of initial work by both parties on the development of the Big Sandy project while providing time for further mutual due diligence and the development of a final definitive agreement (as the Strategic Alliance Term Sheet is non-binding and does not contain all material terms).

NTEC is a world class energy company that owns the Navajo Mine, operates mines in Montana and Wyoming, and aims to promote the development of the Navajo Nation’s resources and new sources of energy, power, and transmission.

#### Strategic Partnership for Lithium Extraction:

AZL signed a Letter of Intent (“**LOI**”) for a strategic partnership with Cemvita Factory Inc. (Cemvita) to utilise Cemvita’s portable organic lixiviant production plant at the Company’s Lithium Research Centre.

## Review of Operations

Cemvita intends to revolutionise the mining industry by lowering the carbon footprint using industrial biotechnology. Cemvita's Biomining team works with companies to optimize existing bioprocesses and develop new methods in mineral processing and extractive metallurgy, to lower the energy and carbon intensity of the mining industry and enable extraction of the minerals required for a renewable energy future. Processes that can be enhanced by the latest industrial biotech apply across the entire mining supply chain including mining and mineral pre-processing, in-situ recovery, leaching, beneficiation, remediation and recycling. Cemvita will be piloting the bio-extraction technology on Big Sandy sedimentary ore at the Lithium Research Centre.

### LORDSBURG LITHIUM PROJECT:

#### Update on Project:

The Company continued lithium exploration at the Lordsburg Lithium Brine Project in the state of New Mexico, USA.

In consultation with Western Australia-based geophysical consultants, Resource Potentials, the Company completed a passive seismic survey and Titan magnetotelluric electromagnetics across the Lordsburg Lithium Project, located in South-West New Mexico, to test for potential lithium mineralised subsurface brines.

These surveys successfully identified a north trending basin containing targets interpreted to represent potentially lithium mineralised brines.

Drilling has been planned and an application lodged to test these targets.

### CORPORATE:

#### Strategic US\$1.25m Investment in Midwest Lithium Ag:

In November 2022, AZL announced a strategic equity investment of US\$1.25m in Midwest Lithium AG ("**Midwest**"), for approximately 11.5% of Midwest.

Midwest holds a significant land position in the Black Hills of South Dakota, one of North America's only proven hard rock spodumene lithium producing districts in the US including a number of historical mines. The district holds over 24,000 pegmatite bodies of which between 2-5% are believed to carry lithium mineralisation; the pegmatites are all located around a large local granitic intrusion known as the Harney Peak Granite. Visible spodumene and other lithium minerals are easily identified around the district.

#### Roth Appointed for Nasdaq Listing:

The Company appointed Roth Capital Partners as its lead North American Capital Markets Adviser, in relation to its proposed Nasdaq listing.

Roth is a full-service American Investment Bank Headquartered in Newport Beach, California with offices in New York, Boston, Los Angeles, San Francisco and Dallas, with a strong track record in the lithium sector, and will assist in marketing the Company to potential investors and provide general advisory services.

#### Completion of Successful Share Purchase Plan:

The Company's Share Purchase Plan ("**SPP**") closed with total proceeds received of \$2,642,000 and a total 58,710,998 new listed shares issued by the Company on 13 June 2023.

#### Placement(s):

On 28 July 2023, the Company received firm commitments to raise \$10 m (before costs) via a Placement to institutional and sophisticated investors to advance the Prairie and Big Sandy Lithium Projects. The

## Review of Operations

commitments to raise the funds is through an extremely strongly supported share placement to institutional and professional investors at \$0.025 per share (“**New Shares**”) with one free attaching option per one New Share (“**Placement**”). The options are exercisable at \$0.05 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 two North American Lithium Projects.

On 18 July 2022, AZL announced that the Company raised \$12m via a Placement to institutional and sophisticated investors, following approval by AZL shareholders at the General Meeting held on the 14 July 2022. AZL successfully raised \$12m at \$0.07 per share with a 1:2 attaching option with an exercise price of \$0.18 and expiry two years from the date of issue. The Placement was offered only to investors who previously committed to Tranche 2.

### Appointments

CEO and Founder of Prairie Lithium, Zach Maurer joined the Board as Executive Director. Zach’s knowledge and expertise of the Lithium industry has been and will continue to be extremely valuable to the Company.

The exploration results in this report were reported by the Company in accordance with ASX Listing Rule 5.7. The Company confirms it is not aware of any new information or data that materially affects the information included in the previous announcements.

The mineral resource estimates in this report were reported by the Company in accordance with ASX Listing Rule 5.8 on 14 August 2023. The Company confirms it is not aware of any new information or data that materially affects the information included in the previous announcement and that all material assumptions and technical parameters underpinning the estimates in the previous announcement continue to apply and have not materially changed.

## Review of Operations

The following information is provided in accordance with Listing Rule 5.21 as at 30 June 2023.

### Mineral Resource Estimation Governance Statement

Arizona Lithium Limited ensures that the Mineral Resource estimates are subject to appropriate levels of governance and internal controls. The Mineral Resources have been generated by independent external consultants and internal employees who are experienced in best practices in modelling and estimation methods. Where applicable, the consultants have also undertaken review of the quality and suitability of the underlying information used to generate the resource estimations. The Mineral Resource estimates follow standard industry methodology using geological interpretation and assay results from samples won through drilling.

Arizona Lithium Limited reports its Mineral Resources in accordance with the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (the JORC Code) (2012 Edition). Competent Persons named by the Company qualify as Competent Persons as defined in the JORC Code.

### Big Sandy Project Resources as at 30 June 2023 and as at 30 June 2022 (rounding errors apply)

The table below sets out the maiden Mineral Resources at 30 June 2023 for the Big Sandy Sedimentary Lithium Project in Arizona, USA. There was no change from the Mineral Resources in the prior year.

Total Indicated and Inferred Resources of 32.5 Million Tonnes (Mt) grading 1,850 parts per million (ppm) Li or 320,800 tonnes Lithium Carbonate Equivalent (LCE), reported above an 800 ppm Li cut-off.

Resource Classification	Tonnes (Mt)	Li Grade (ppm)	Contained Li Metal (t)	Contained LCE (t)
<b>Indicated</b>	14.6	1,940	28,400	150,900
<b>Inferred</b>	17.9	1,780	31,900	169,900
<b>Total</b>	<b>32.5</b>	<b>1,850</b>	<b>60,300</b>	<b>320,800</b>

### COMPETENT PERSON'S STATEMENT

The information in this Review of Operations that relates to the Big Sandy Sedimentary Lithium Project 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 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. The Company confirms that the material assumptions and technical parameters underpinning the Resource estimate and exploration target, which were announced to the ASX on 26 September 2019 and 7 November 2019 respectively, have not materially changed.

## Mineral Resources Statement

### Prairie Lithium Project Resources as at 14 August 2023

The table below sets out the Mineral Resources at 14 August 2023 for the Prairie Lithium Project in Saskatchewan, Canada.

	Representative Lithium Concentration (mg/L)		Li Mass (tonnes)		LCE Mass (tonnes)		
	Inferred	Indicated	Inferred	Indicated	Inferred	Indicated	Total
<b>Producing Formations</b>	<b>98</b>	<b>98</b>	<b>22,176</b>	<b>59,088</b>	<b>118,042</b>	<b>314,528</b>	<b>432,570</b>
Flat Lake	95	96	1,987	5,049	10,576	26,876	37,452
Upper Wymark	143	160	42,458	99,157	226,005	527,811	753,816
Middle Wymark	121	127	168,925	406,305	899,188	2,162,761	3,061,950
Lower Wymark	94	96	34,748	91,207	184,966	485,496	670,462
Saskatoon	55	57	41,218	98,961	219,402	526,771	746,173
<b>Total</b>	<b>102</b>	<b>106</b>	<b>310,000</b>	<b>760,000</b>	<b>1,700,000</b>	<b>4,000,000</b>	<b>5,700,000</b>

### Competent Persons statement for Prairie and Registered Overseas Professional Organisation (ROPO) and JORC Tables

Gordon MacMillan P.Geol., 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 and JORC Code – Table 1 attached to this 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.

## Directors' Report

The Directors present their report on the consolidated group consisting of Arizona Lithium Limited and the entities it controlled (referred to hereafter as “the Group” or “Arizona”) for the year ended 30 June 2023, as well as the consolidated financial report and the Auditor’s Report thereon.

### PRINCIPAL ACTIVITIES OF THE GROUP

Arizona Lithium Limited (“the Company” or “parent entity”) is a mineral exploration company focusing on the Big Sandy, Prairie Lithium and Lordsburg Projects in North America exploring for lithium.

### SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 25 July 2022, the Company completed a placement raising \$12,000,000 by the issue of 171,428,571 ordinary shares at \$0.07 each with a 1:2 attaching option exercisable at \$0.08 expiring two years from the date of issue.

On 24 March 2023, the Company completed the acquisition of Prairie Lithium Corporation by the issue of 248,461,073 ordinary shares, 251,538,925 exchangeable shares and CAD40,000,000 cash.

On 15 June 2023, the Company completed a Share Purchase Plan raising \$2,641,995 by the issue of 58,710,998 ordinary shares at \$0.045 each with a 1:1 attaching option exercisable at \$0.06 expiring two years from the date of issue.

### OPERATING AND FINANCIAL REVIEW

The Group’s loss attributable to members of the Company for the financial year ended 30 June 2023 was \$14,361,706 (2022: loss of \$4,228,628). The loss was largely due to the expensing of all mineral exploration expenditure and share-based payments in accordance with the Group’s accounting policy.

At 30 June 2023, the Group had net assets of \$76,868,520 (2022: \$42,816,149) and the Company had 2,749,676,710 (2022: 2,233,496,990) fully paid shares and 251,538,925 (2022: Nil) exchangeable shares on issue.

### DIRECTORS

The Directors of Arizona Lithium Limited in office at any time during, or since the end of, the year are set out below. Directors were in office for the entire period unless otherwise stated.

- Barnaby Egerton-Warburton (Non-Executive Chairman)
- Paul Lloyd (Managing Director)
- Matthew Blumberg (Executive Director)
- Zachary Maurer (Executive Director, appointed 24 March 2023)

## Directors' Report

### INFORMATION ON CURRENT DIRECTORS (including interests in securities at the date of this report)

#### Mr Barnaby Egerton-Warburton – Non-Executive Chairman

Barnaby Egerton-Warburton is an experienced investment banker and corporate advisor who has held managing director and non-executive director positions in the investment banking, energy, technology and resource sectors.

Mr. Egerton-Warburton has over 25 years of investment banking, international investment and market experience with positions at JP Morgan (New York, Sydney, Hong Kong) BNP Equities (New York) and Prudential Securities (New York). An experienced investment banker and corporate advisor, having held managing director and non-executive director positions in the investment banking, technology, energy and resource sectors. He holds a degree in economics and is a graduate of the Australian Institute of Company Directors.

Other Current Listed Directorships:	Lord Resources Limited (since March 2015) Locality Planning Energy Holdings Ltd (since March 2020) NSX Limited (since April 2022) Pantera Minerals Limited (since December 2020) Diablo Resources Limited (since April 2021)
Former Directorships in Last Three Years:	Invictus Energy Limited (July 2016 – October 2021), Southern Cross Payments Limited (April 2015 – August 2022)
Interests in Shares:	12,736,666
Interests in Options:	30,000,000
Interests in Performance Rights:	100,000,000

#### Mr Paul Lloyd – Managing Director

Paul Lloyd is a Chartered Accountant with over thirty years' commercial experience. Mr Lloyd operates his own corporate consulting business, specialising in the area of corporate, financial and management advisory services. Mr Lloyd has been responsible for a number of IPOs, RTOs, project acquisitions and capital raisings for ASX listed public companies.

Other Current Listed Directorships:	BPM Minerals Limited (since October 2020) Diablo Resources Limited (since April 2021) Lord Resources Limited (since February 2021)
Former Directorships in Last Three Years:	None
Interests in Shares:	44,349,355
Interests in Options:	40,000,000
Interests in Performance Rights	145,000,000

#### Mr Matthew Blumberg – Executive Director

Matthew Blumberg holds a Master of Business Administration (MBA) from Yale University and a double degree in Engineering (First Class Honours) and Commerce from University of Western Australia. Mr Blumberg is currently a director of a US based private equity firm, ALJ Regional Holdings, focussing on Mergers & Acquisitions. He has previously worked in investment-based roles in New York and Sydney.

Other Current Listed Directorships:	None
Former Directorships in Last Three Years:	None
Interests in Shares:	6,966,666
Interests in Options:	20,000,000
Interests in Performance Rights	78,000,000

## Directors' Report

### INFORMATION ON FORMER DIRECTORS

#### Mr Zachary Maurer – Executive Director (Appointed 24 March 2023)

Zach Maurer has over 10 years of experience in North America's energy sector. His experience spans production, environmental and hydrogeologic projects in Canada and the United States. In 2019, he founded and incorporated Prairie Lithium. As CEO of Prairie Lithium, he led multiple rounds of private equity funding while advancing lithium extraction technology and brine resource exploration in Saskatchewan, Canada. In 2023, he led Prairie Lithium through the successful acquisition by Arizona Lithium. He holds a B.Sc. in Geology from the University of Regina and a Diploma in Exploration Information Technology from the South Alberta Institute of Technology (SAIT).

Other Current Listed Directorships:	None
Former Directorships in Last Three Years:	None
Interests in Exchangeable Shares:	51,099,591
Interests in Options:	11,000,000

### COMPANY SECRETARY

#### Mr Shaun Menezes – Company Secretary

Mr Menezes is an accounting and finance professional with over 20 years experience. He has worked in the capacity of Company Secretary and Chief Financial Officer of a number of ASX and SGX listed companies, held a senior management role within an ASX 200 listed company and was an executive director at a leading international accounting firm. He is a member of the Governance Institute of Australia and Chartered Accountants Australia and New Zealand.

### DIVIDENDS

No dividends were paid or are proposed to be paid during the financial year (2022: Nil).

### FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Future developments for the Group depend on activity regarding the Company's exploration projects.

### EVENTS OCCURRING AFTER THE REPORTING PERIOD

No events that would have a significant effect on the financial report have occurred since the end of the reporting period, other than:

- On 4 August 2023, the Company completed a placement raising \$10,000,000 by the issue of 400,000,000 ordinary shares at \$0.025 each with a 1:2 attaching option exercisable at \$0.06 expiring two years from the date of issue. The shares were issued in two tranches with tranche one comprising 400,000,000 ordinary shares and 290,746,707 options issued on 4 August 2023 and 11 August 2023 respectively; and tranche two comprising 109,253,294 options to be issued subject to shareholder approval.
- On 19 September 2023, shareholders at a general meeting approved the issue of the tranche two and broker options and ratified the prior issue of securities under tranche one of the placement completed on 4 August 2023.

## Directors' Report

### OPTIONS

Unissued ordinary shares of Arizona Lithium Limited under option at the date of this report are as follows:

Expiry date	Exercise price	Number under option 2023
15 August 2024	\$0.18	221,514,286 <sup>1</sup>
11 October 2024	\$0.06	92,000,000
10 August 2025	\$0.05	416,000,000
27 March 2027	\$0.12	20,750,000
19 May 2027	\$0.12	9,750,000
<b>Total</b>		<b>760,014,286</b>

<sup>1</sup> A total of 221,514,286 options were issued on 15 August 2022. 178,514,286 of those options were free attaching options issued as part of a capital raising. The balance of 43,000,000 options were issued to brokers in consideration for services related to the capital raising.

### DIRECTORS' MEETINGS

During the financial year, five meetings of Directors were held and twenty nine circular resolutions signed. Attendances by each Director during the year were as follows:

Name	Directors' meetings	
	No. of meetings eligible to attend	No. of meetings attended
Barnaby Egerton-Warburton	5	5
Paul Lloyd	5	5
Matthew Blumberg	5	5
Zachary Maurer (appointed 24 March 2023)	2	2

### AUDIT COMMITTEE

The Company does not have a formally constituted audit committee. The Board considers that the Company's current position in respect of the composition of the Board, the size of the Company and the minimal complexities involved in its financial activities at present, the Company is not in a position to justify the establishment of an audit committee. The full Board performs the duties of this committee.

## Directors' Report

### REMUNERATION REPORT (AUDITED)

The remuneration report outlines the remuneration arrangements for the Key Management Personnel ("KMP") of the Group, being the Company's Board members, and is set out under the following main headings:

1. Principles used to determine the nature and amount of remuneration
2. Remuneration committee and board charter
3. Details of remuneration

#### Principles Used to Determine the Nature and Amount of Remuneration

In determining competitive remuneration rates, the Board seeks independent advice as required on local and international trends among comparative companies and industry generally. Independent advice may be obtained to confirm that executive remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices.

The Board recognises that the Company operates in a global environment. To prosper in this environment it must attract, motivate and retain key executive staff.

The principles supporting the remuneration policy are as follows:

- reward reflects the competitive global market in which the Company operates;
- rewards to executives are linked to creating value for shareholders;
- remuneration arrangements are equitable and facilitate the development of senior management across the Company;
- where appropriate, senior managers receive a component of their remuneration in equity to align their interests with those of the shareholders; and
- long term incentives are used to ensure that remuneration of KMP reflects the Group's financial performance, with particular emphasis on the Group's earnings and the consequence of the Group's performance on shareholder wealth.

Fees and payments to directors reflect the demands which are made on, and the responsibilities of, the directors. Directors' fees and payments are reviewed annually by the Board. The Board also ensures that directors' fees and payments are appropriate and in line with the market.

There are no retirement allowances or other benefits paid to directors.

#### Remuneration Committee and Board Charter

The Charter of the Remuneration Committee extends the duties to that of a Nominations Committee. The Board considers that given the Company's current position in respect of the composition of the Board and the size of the Company, the Company is not in a position to justify the establishment of a Remuneration Committee and the full Board performs the duties of this committee, with members abstaining from discussions and decisions as appropriate.

The Remuneration Committee is responsible for making recommendations on remuneration policies and packages applicable to Board members and for approval of remuneration for executive officers of the Company taking into account the financial position of the Company. The broad remuneration policy per the formal Charter is to ensure the remuneration package properly reflects the person's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

## Directors' Report

It is the Remuneration Committee's policy to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities though taking into account the financial position of the Company and the Company's shareholder-approved limits. The Constitution of the Company specifies that the aggregate remuneration of directors, other than salaries paid to executive directors, shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is divided between those directors as they agree. The latest determination was at the Annual General Meeting held on 30 November 2022 when shareholders approved an aggregate remuneration of \$500,000 per year.

The Board as a whole determines the amount of the fees paid to each non-executive director. All Directors may be allocated options and performance rights to acquire shares in the Company under the Director and Employee Share Option Plan approved by shareholders from time to time.

The Board approves remuneration packages for executive officers based on performance criteria and the Group's financial performance. Other employee remuneration packages are determined and approved by the Board based on salary market rate indicators, press advertisements, performance criteria and against the Group's financial state of affairs.

### Additional information for consideration of shareholder wealth

This table summarises the earnings of the Group and other factors that are considered to affect shareholder wealth for the 5 years to 30 June 2023.

	2023	2022	2021	2020	2019
Loss after income tax attributable to shareholders (\$)	(14,361,706)	(4,228,628)	(3,455,913)	(3,490,190)	(12,621,063)
Share price at year end (\$)	0.032	0.082	0.025	0.013	0.021
Total dividends declared (cents per share)	-	-	-	-	-
Returns of capital (cents per share)	-	-	-	-	-
Basic (loss) per share (cents)	(0.58)	(0.19)	(0.24)	(0.41)	(2.37)

### Details of Remuneration – Service Agreements

Director	Position held as at 30 June 2023	Contract details (duration & termination)
Barnaby Egerton-Warburton	Non-Executive Chairman	Letter of appointment / In accordance with Constitution No notice period No termination benefits payable
Paul Lloyd	Managing Director	Service agreement Remuneration of \$300,000pa inclusive of statutory superannuation Termination without cause requires 6 months' notice or payment
Matthew Blumberg	Executive Director	Letter of appointment / In accordance with Constitution Remuneration of \$60,000pa inclusive of statutory superannuation No termination benefits payable

## Directors' Report

Director	Position held as at 30 June 2023	Contract details (duration & termination)
Zachary Maurer	Executive Director	Employment agreement Remuneration of C\$300,000 Termination without cause requires 2 weeks notice for each year of service up to a maximum of 36 weeks; plus a payment equal to 10% of the notice payment for lost benefits; plus unused annual leave and any other minimum entitlements required by legislation.

### Remuneration Details for the Year Ended 30 June 2023

The following table sets out remuneration details in respect to the financial year, and the components of remuneration for each member of the KMP of the Group. The aggregate remuneration of non-executive directors was less than the approved aggregate remuneration of \$500,000 per year.

		Short-term Benefits Cash salary and fees \$	Post Employment Benefits Super-annuation \$	Consulting fees \$	Share based payments Options/ Rights \$	Total \$	Proportion of remuneration performance related %
B	2023	84,000	-	-	1,290,879	1,374,879	94
Egerton-Warburton	2022	84,000	-	-	2,484,134	2,568,134	97
P Lloyd	2023	300,000	-	-	2,496,121	2,796,121	89
	2022	300,000	-	-	3,304,674	3,604,674	92
M	2023	62,419	-	-	1,068,227	1,130,646	94
Blumberg	2022 <sup>1</sup>	46,394	-	-	458,400	504,794	91
Z Maurer	2023 <sup>3</sup>	85,279	8,878	-	132,287	224,769	59
G Smith	2022 <sup>2</sup>	13,700	-	-	-	13,700	-
<b>Total</b>	<b>2023</b>	<b>531,698</b>	<b>8,878</b>	<b>-</b>	<b>4,987,514</b>	<b>5,526,415</b>	<b>90</b>
	2022	444,094	-	-	6,247,208	6,691,302	93

<sup>1</sup> Appointed 11 October 2021.

<sup>2</sup> Resigned 17 November 2021.

<sup>3</sup> Appointed 24 March 2023.

## Directors' Report

### KMP Shareholdings

The number of ordinary shares in Arizona Lithium Limited held by each KMP of the Company, as disclosed to the ASX, during the financial year is as follows:

30 June 2023	Balance at beginning of year or appointment	Granted as remuneration during the year	Issued on exercise of performance rights during the year	Other changes during the year	Balance at end of year
B Egerton-Warburton	4,570,000	-	7,500,000	666,666 <sup>2</sup>	12,736,666
P Lloyd	28,682,689	-	15,000,000	666,666 <sup>2</sup>	44,349,355
M Blumberg	300,000	-	6,000,000	666,666 <sup>2</sup>	6,966,666
Z Maurer <sup>1</sup>	-	-	-	-	-

<sup>1</sup> Appointed 24 March 2023. Holds 51,099,591 in exchangeable shares issued as part of the Prairie Lithium acquisition.

<sup>2</sup> Arising from directors' participation in the Share Purchase Plan.

### KMP Option Holding

The number of share options in Arizona Lithium Limited held by each KMP of the Company, as disclosed to the ASX, during the financial year is as follows:

30 June 2023	Balance at beginning of year or appointment	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Balance at end of year
B Egerton-Warburton	30,000,000	-	-	-	30,000,000
P Lloyd	40,000,000	-	-	-	40,000,000
M Blumberg	20,000,000	-	-	-	20,000,000
Z Maurer <sup>1</sup>	11,000,000	-	-	-	11,000,000

<sup>1</sup> Appointed 24 March 2023.

## Directors' Report

### KMP Performance Rights Holdings

The number of performance rights in Arizona Lithium Limited held by each KMP of the Company, as disclosed to the ASX, during the financial year is as follows:

30 June 2023	Balance at beginning of year or appointment	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Balance at end of year
B Egerton-Warburton	-	107,500,000	(7,500,000)	-	100,000,000
P Lloyd	-	160,000,000	(15,000,000)	-	145,000,000
M Blumberg	-	84,000,000	(6,000,000)	-	78,000,000
Z Maurer <sup>1</sup>	-	-	-	-	-

<sup>1</sup> Appointed 24 March 2023.

### Cash Bonuses, Performance-Related Bonuses and Share-Based Payments

There were no cash bonuses, or other short term performance related bonuses, made to any KMP in the financial years ended 30 June 2023.

Details of options over ordinary shares in the Company provided as remuneration to KMP during 2023 as disclosed above are set out below. When exercised, each option is convertible into one ordinary share of Arizona Lithium Limited.

KMP 2023	Grant date	Number granted	Exercise price (\$)	Value per option (\$)	Value of options granted (\$)	Issue date	Expiry date
Z Maurer	24/03/2023	11,000,000	0.12	0.02454	269,940	27/03/2023	27/03/2027
<b>Total</b>		<b>11,000,000</b>			<b>269,940</b>		

The vesting conditions for the options granted are as follows:

- 2,750,000 Options – on the commencement date of Zach Maurer's appointment as a Director of the Company (**Commencement Date**);
- 2,750,000 Options – on the 6-month anniversary of the Commencement Date;
- 2,750,000 Options – on the 12-month anniversary of the Commencement Date; and
- 2,750,000 Options – on the 18-month anniversary of the Commencement Date,

Details of all options held by KMP, at the date of this report, are shown below.

KMP	Grant date	Number granted	Value of options granted (\$)	Issue date	Expiry date	Vested (%)
B Egerton-Warburton	16/11/2021	30,000,000	2,517,900	23/11/2021	11/10/2024	100
P Lloyd	16/11/2021	40,000,000	3,357,200	23/11/2021	11/10/2024	100
M Blumberg	11/10/2021	20,000,000	458,400	11/10/2021	11/10/2024	100
Z Maurer	24/03/2023	11,000,000	269,940	27/03/2023	27/03/2027	25

## Directors' Report

Details of performance rights in the Company provided as remuneration to KMP during 2023 as disclosed above are set out below. When exercised, each performance right is convertible into one ordinary share of Arizona Lithium Limited.

KMP 2023			Number granted	Value per right (\$)	Value of rights granted (\$)	Expiry date
	Class	Grant date				
B Egerton-Warburton	A	15/08/2022	5,000,000	0.085	425,000	15/08/2025
B Egerton-Warburton	B	15/08/2022	7,500,000	0.085	637,500	15/08/2026
B Egerton-Warburton	C	15/08/2022	7,500,000	0.085	637,500	15/08/2026
B Egerton-Warburton	D	15/08/2022	7,500,000	0.085	637,500	15/08/2027
B Egerton-Warburton	A	14/03/2023	28,000,000	0.05	1,400,000	27/03/2026
B Egerton-Warburton	B	14/03/2023	12,000,000	0.05	600,000	27/03/2026
B Egerton-Warburton	C	14/03/2023	20,000,000	0.0391	782,000	27/03/2027
B Egerton-Warburton	D	14/03/2023	20,000,000	0.05	1,000,000	27/03/2028
P Lloyd	A	15/08/2022	15,000,000	0.085	1,275,000	15/08/2025
P Lloyd	B	15/08/2022	15,000,000	0.085	1,275,000	15/08/2026
P Lloyd	C	15/08/2022	15,000,000	0.085	1,275,000	15/08/2026
P Lloyd	D	15/08/2022	15,000,000	0.085	1,275,000	15/08/2027
P Lloyd	A	14/03/2023	35,000,000	0.05	1,750,000	27/03/2026
P Lloyd	B	14/03/2023	15,000,000	0.05	750,000	27/03/2026
P Lloyd	C	14/03/2023	25,000,000	0.0391	977,500	27/03/2027
P Lloyd	D	14/03/2023	25,000,000	0.05	1,250,000	27/03/2028
M Blumberg	A	15/08/2022	6,000,000	0.085	510,000	15/08/2025
M Blumberg	B	15/08/2022	6,000,000	0.085	510,000	15/08/2026
M Blumberg	C	15/08/2022	6,000,000	0.085	510,000	15/08/2026
M Blumberg	D	15/08/2022	6,000,000	0.085	510,000	15/08/2027
M Blumberg	A	14/03/2023	21,000,000	0.05	1,050,000	27/03/2026
M Blumberg	B	14/03/2023	9,000,000	0.05	450,000	27/03/2026
M Blumberg	C	14/03/2023	15,000,000	0.0391	586,500	27/03/2027
M Blumberg	D	14/03/2023	15,000,000	0.05	750,000	27/03/2028
<b>Total</b>			<b><u>351,500,000</u></b>		<b><u>20,823,500</u></b>	

The vesting conditions for the performance rights granted on 15 August 2022 are as follows:

Tranche	Vesting Condition	Expiry Date
Class A	Successful commercial operation of the research facility in Phoenix, Arizona to process ore from the Big Sandy Lithium Project and produce lithium to a market acceptable standard with a minimum production of 20kgs of LCE per month for two consecutive months.	3 years from the date of issue
Class B	Completion of a successful Scoping Study for the Big Sandy Lithium Project	3 years from the date of issue
Class C	Announcement to the ASX of the completion of a profitable Preliminary Feasibility Study for the Big Sandy Lithium Project	4 years from the date of issue
Class D	Announcement to the ASX of the completion of a profitable Bankable Feasibility Study for the Big Sandy Lithium Project	5 years from the date of issue

The vesting conditions for the performance rights granted on 14 March 2023 are as follows:

## Directors' Report

Tranche	Vesting Condition	Expiry Date
Class A	Announcement to the ASX of the completion of a profitable Preliminary Feasibility Study (PFS) for the Prairie Lithium project.	3 years from the date of issue
Class B	Announcement of an upgraded resource of at least 1 million tonnes of Lithium Carbonate Equivalent (LCE) over the Prairie Lithium project from an inferred to an indicated resource.	3 years from the date of issue
Class C	Market capitalisation of the Company to exceed 500 million AUD based on a 20 day VWAP.	4 years from the date of issue
Class D	Announcement to the ASX of the production of a minimum of 1,000kgs of LCE from the Prairie Lithium project.	5 years from the date of issue

Details of all performance rights held by KMP, at the date of this report, are shown below.

KMP	Class	Grant date	Number granted	Expiry date	Vested (%)
B Egerton-Warburton	A	15/08/2022	5,000,000	15/08/2025	-
B Egerton-Warburton	C	15/08/2022	7,500,000	15/08/2026	-
B Egerton-Warburton	D	15/08/2022	7,500,000	15/08/2027	-
B Egerton-Warburton	A	14/03/2023	28,000,000	27/03/2026	-
B Egerton-Warburton	B	14/03/2023	12,000,000	27/03/2026	100
B Egerton-Warburton	C	14/03/2023	20,000,000	27/03/2027	-
B Egerton-Warburton	D	14/03/2023	20,000,000	27/03/2028	-
P Lloyd	A	15/08/2022	15,000,000	15/08/2025	-
P Lloyd	C	15/08/2022	15,000,000	15/08/2026	-
P Lloyd	D	15/08/2022	15,000,000	15/08/2027	-
P Lloyd	A	14/03/2023	35,000,000	27/03/2026	-
P Lloyd	B	14/03/2023	15,000,000	27/03/2026	100
P Lloyd	C	14/03/2023	25,000,000	27/03/2027	-
P Lloyd	D	14/03/2023	25,000,000	27/03/2028	-
M Blumberg	A	15/08/2022	6,000,000	15/08/2025	-
M Blumberg	C	15/08/2022	6,000,000	15/08/2026	-
M Blumberg	D	15/08/2022	6,000,000	15/08/2027	-
M Blumberg	A	14/03/2023	21,000,000	27/03/2026	-
M Blumberg	B	14/03/2023	9,000,000	27/03/2026	100
M Blumberg	C	14/03/2023	15,000,000	27/03/2027	-
M Blumberg	D	14/03/2023	15,000,000	27/03/2028	-

**[END OF AUDITED REMUNERATION REPORT]**

## Directors' Report

### ENVIRONMENTAL REGULATION

The Group's operations are not subject to any significant environmental regulations under either United States of America, Canada or their local State legislation. However, the Board believes that the Group has adequate systems in place for the management of its environmental requirements in other jurisdictions and is not aware of any breach of those environmental requirements as they apply to the Group.

### INDEMNIFYING OFFICERS OR AUDITORS

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001, every Officer of the Company shall be indemnified out of the property of the Company against any liability incurred by them in their capacity as Officer, or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal. The Company has agreed to pay a premium for Directors and Officers Insurance.

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor. The Company has not paid a premium in respect of a contract to insure the auditor of the Company.

### PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

### NON-AUDIT SERVICES

No fees were paid or payable to Grant Thornton during the year ended 30 June 2023 in relation to non-audit services.

### AUDITORS' INDEPENDENCE DECLARATION

The auditors' independence declaration for the year ended 30 June 2023 has been received and is included on page 24.

Signed in accordance with a resolution of the Directors:



**Mr Barnaby Egerton-Warburton**

Non-Executive Chairman

Dated at Perth this 26<sup>th</sup> day of September 2023

## Auditor's Independence Declaration

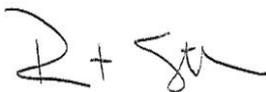
### To the Directors of Arizona Lithium Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Arizona Lithium Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



B P Steedman  
Partner – Audit & Assurance

Perth, 26 September 2023

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## Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2023

	Note	30 June 2023 \$	30 June 2022 \$
Other Income	3	950,043	28,498
Share based payment expense	28	(5,833,932)	(6,415,970)
Corporate and regulatory expenses		(1,625,653)	(1,247,830)
Exploration and evaluation	4(b)	(3,507,010)	(1,413,645)
Foreign exchange gain/(loss)		(43,801)	(72,959)
Administrative expenses	4(a)	(3,996,142)	(1,508,150)
Gain/(loss) on financial asset		(305,211)	5,683
<b>Loss before income tax</b>		<b>(14,361,706)</b>	<b>(10,624,373)</b>
Income tax	6	-	-
<b>Loss after income tax from continuing operations attributable to members of the Company</b>		<b>(14,361,706)</b>	<b>(10,624,373)</b>
<b>Operations of disposal group (discontinued operation)</b>			
Exploration and evaluation		-	(426)
Gain on demerger of subsidiaries	28	-	6,396,171
<b>Profit/(loss) for the year from disposal groups</b>		<b>-</b>	<b>6,395,745</b>
<b>Loss attributable to members of the Company</b>		<b>(14,361,706)</b>	<b>(4,228,628)</b>
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translation of foreign controlled entities, net of tax		3,475,963	53,318
<b>Other comprehensive income/(loss) for the year</b>		<b>3,475,963</b>	<b>53,318</b>
<b>Total comprehensive loss for the year</b>		<b>(10,885,743)</b>	<b>(4,175,310)</b>
<b>Loss per share attributable to the ordinary equity holders of the company</b>			
Basic loss per share in cents	22	(0.58)	(0.19)
Diluted loss per share in cents	22	(0.58)	(0.19)
<b>Loss per share from continuing operations attributable to the ordinary equity holders of the company</b>			
Basic loss per share in cents	22	(0.58)	(0.48)
Diluted loss per share in cents	22	(0.58)	(0.48)

The accompanying notes form part of these financial statements.

## Consolidated statement of financial position as at 30 June 2023

	Note	30 June 2023 \$	30 June 2022 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	3,303,842	42,983,007
Trade and other receivables	8	1,144,810	234,709
Prepayments		176,382	154,994
<b>TOTAL CURRENT ASSETS</b>		<b>4,625,034</b>	<b>43,372,710</b>
<b>NON-CURRENT ASSETS</b>			
Exploration and evaluation expenditure	9	67,875,471	-
Plant and equipment	10	3,711,793	49,749
Right of use assets	11	2,484,427	69,286
Other financial assets	12	2,427,726	633,228
<b>TOTAL NON-CURRENT ASSETS</b>		<b>76,499,417</b>	<b>752,263</b>
<b>TOTAL ASSETS</b>		<b>81,124,451</b>	<b>44,124,973</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	1,559,303	524,152
Lease liability	14	646,451	13,083
Funds received in advance		-	715,385
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,205,754</b>	<b>1,252,620</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liability	14	2,050,177	56,204
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,050,177</b>	<b>56,204</b>
<b>TOTAL LIABILITIES</b>		<b>4,255,931</b>	<b>1,308,824</b>
<b>NET ASSETS</b>		<b>76,868,520</b>	<b>42,816,149</b>
<b>EQUITY</b>			
Contributed equity	15	152,030,292	113,594,860
Reserves	16	23,518,379	13,539,734
Accumulated losses		(98,680,151)	(84,318,445)
<b>TOTAL EQUITY</b>		<b>76,868,520</b>	<b>42,816,149</b>

The accompanying notes form part of these financial statements.

## Consolidated statement of changes in equity for the year ended 30 June 2023

	Issued Capital	Share based payment reserve	Foreign translation reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2022</b>	<b>113,594,860</b>	<b>15,725,497</b>	<b>(2,185,763)</b>	<b>(84,318,445)</b>	<b>42,816,149</b>
<b>Comprehensive Income</b>					
Loss for the year	-	-	-	(14,361,706)	(14,361,706)
Other comprehensive income for the year	-	-	3,475,963	-	3,475,963
Exchange differences on translation of controlled entities	-	-			
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>3,475,963</b>	<b>(14,361,706)</b>	<b>(10,885,743)</b>
<b>Transactions with owners, in their capacity as owners, and other transfers</b>					
Shares issued during the year	27,284,125	-	-	-	27,284,125
Exchangeable shares issued during the year	12,576,946	-	-	-	12,576,946
Share issue costs	(1,425,639)	668,750	-	-	(756,889)
Share-based payments	-	5,833,932	-	-	5,833,932
<b>At 30 June 2023</b>	<b>152,030,292</b>	<b>22,228,179</b>	<b>1,290,200</b>	<b>(98,680,151)</b>	<b>76,868,520</b>

## Consolidated statement of changes in equity for the year ended 30 June 2023 (continued)

The accompanying notes form part of these financial statements.

	Issued Capital	Share based payment reserve	Foreign translation reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2021</b>	<b>79,616,174</b>	<b>6,795,047</b>	<b>(2,239,081)</b>	<b>(79,302,912)</b>	<b>4,869,228</b>
<b>Comprehensive Income</b>					
Loss for the year	-	-	-	(4,228,628)	(4,228,628)
Other comprehensive income for the year	-	-	53,318	-	53,318
Exchange differences on translation of controlled entities	-	-	-	-	-
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>53,318</b>	<b>(4,228,628)</b>	<b>(4,175,310)</b>
<b>Transactions with owners, in their capacity as owners, and other transfers</b>					
Shares issued during the year	44,514,056	-	-	-	44,514,056
Share issue costs	(4,640,050)	2,514,480	-	-	(2,125,570)
Share-based payments	-	6,415,970	-	-	6,415,970
Capital distribution and demerger dividend (Note 28)	(5,895,320)	-	-	(786,905)	(6,682,225)
<b>At 30 June 2022</b>	<b>113,594,860</b>	<b>15,725,497</b>	<b>(2,185,763)</b>	<b>(84,318,445)</b>	<b>42,816,149</b>

## Consolidated statement of cash flows for the year ended 30 June 2023

	Note	30 June 2023 \$	30 June 2022 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(8,325,500)	(4,895,804)
Interest received		945,000	28,497
<b>Net cash used in operating activities</b>	24(b)	<b>(7,380,500)</b>	<b>(4,867,307)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash received from loan repayment		-	247,788
Payment for acquisition of Prairie Lithium Corporation		(43,956,044)	-
Payment for acquisition of plant and equipment		(2,877,234)	(72,279)
Payments for security bond		-	(285,639)
Payments for other financial assets		(1,949,653)	-
Cash acquired on acquisition of Prairie Lithium Corporation		3,173,157	-
<b>Net cash used in investing activities</b>		<b>(45,609,774)</b>	<b>(110,130)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds of share issues		14,139,390	44,522,347
Proceeds of shares to be issued		-	715,385
Share issue costs		(889,341)	(2,229,615)
<b>Net cash generated by financing activities</b>		<b>13,250,049</b>	<b>43,008,117</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(39,740,225)</b>	<b>38,030,680</b>
Cash and cash equivalents at the beginning of the year		42,983,007	4,951,159
Effects of exchange rate changes on cash and cash equivalents		61,060	1,168
<b>Cash and cash equivalents at the end of the year</b>	7	<b>3,303,842</b>	<b>42,983,007</b>

The accompanying notes form part of these financial statements.

## Notes to the financial statements

### 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements include the consolidated financial statements and notes of Arizona Lithium Limited (“the Company”) and controlled entities (“the Group”).

The significant accounting policies which have been adopted in the preparation of the financial statements are set out below.

#### (a) Basis of preparation

The financial statements are general purpose financial statements, which have been prepared in accordance with the Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements of the Group comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs. The financial statements are presented in Australian dollars.

The 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 consolidated financial statements are presented in AUD, which is also the functional currency of the parent company. The financial statements were authorised for issue by the Directors on the 26<sup>th</sup> of September 2023.

Arizona Lithium Limited is a for profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange.

#### (b) New Accounting Standards for application in future periods

The Directors have reviewed all of the new and revised Standards and interpretations in issue that are relevant to the Group and effective for future reporting periods. 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 issue and not yet adopted by the Group and therefore no material change is necessary to Group accounting policies.

#### (c) New and Amended Accounting Policies adopted by the Group

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial year.

## Notes to the financial statements (continued)

### 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Arizona Lithium Limited and entities (including special purpose entities) controlled by Arizona Lithium Limited (its subsidiaries).

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the Group. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between:

- The aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit and loss or transferred to another category of equity as specified/permitted by the applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 9, when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

## Notes to the financial statements (continued)

### 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Acquisitions of subsidiaries*

#### *Business combinations*

In each transaction that results in the acquisition of a subsidiary, the Company determines if AASB 3 'Business Combinations' shall apply to the transaction by assessing if the Company has acquired "business". A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. . If the Company determines that the acquisition results in the acquisition of a business, then the Company applies the requirements of AASB 3 to the acquisition.

#### *Asset acquisitions*

If the Company determines that the acquired subsidiary does not constitute a business, then the transaction is accounted for as an acquisition of an asset (or group of assets) that do not constitute a business combination within the scope of AASB 3. In the acquisition of a group of assets, the cost of the acquisition is allocated between the individual assets and liabilities in the group based on their relative fair values at the date of acquisition.

#### **(e) Foreign currency transactions**

The Group's consolidated financial statements are presented in Australian dollars, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting dates. The revenues and expenses of foreign operations are translated into Australian dollars using average exchange rates, which approximate exchange rates at the dates of transactions, for the period. All resulting exchange rate differences are recognised in other comprehensive income through the foreign translation reserve in equity.

#### *Transactions and balances*

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

#### **(f) Cash and cash equivalents**

For the purposes of the statement of cash flows, cash includes cash on hand and at bank, short term deposits with financial institutions maturing within less than three months and net of outstanding bank overdrafts.

## Notes to the financial statements (continued)

### 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (g) Exploration and evaluation expenditure

Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs which are carried forward where right of tenure of the area of interest is current, and they are expected to be recouped through sale or successful development and exploration of the area of interest, or, where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Where an area of interest is abandoned, or the Directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

#### (h) Impairment of assets

At the end of the reporting period, the Group reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### (i) Plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

- Building improvements - lease term
- Right of use assets - lease term
- Plant and equipment - 5 to 7 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial period end.

#### *Derecognition and disposal*

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income.

#### (j) Impairment of assets

At the end of the reporting period, the Group reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

## Notes to the financial statements (continued)

### 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (k) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and usually paid within 30 days of recognition.

#### (l) Provisions and contingencies

Provisions are recognised when the Group has a legal or constructive obligation, as a result of a past event, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

#### (m) Leases

At inception of a contract, the Company assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Company where the Company is a lessee. However, all contracts that are classified as short-term leases (i.e. a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Company uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- i. fixed lease payments less any lease incentives;
- ii. variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- iii. the amount expected to be payable by the lessee under residual value guarantees;
- iv. the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- v. payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date, as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest. Where a lease transfers ownership of the underlying asset, or the cost of the right-of-use asset reflects that the Company anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

#### (n) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## Notes to the financial statements (continued)

### 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (o) Revenue recognition

Revenue from the sale of goods and disposal of other assets is recognised when the Group has satisfied the performance obligation in relevant contracts by transferring the promised asset to a customer with the customer obtaining control of the asset.

Revenue from interest is recognised on a time proportionate basis, taking into account the effective yield on the related asset.

#### (p) Government grants and assistance

The Group makes periodic applications for financial assistance under available Canadian government incentive programs and Scientific Research & Experimental Development (“SR&ED”) grant. The funding is provided for non-capital expenditures relating to research and development projects. This assistance is recognized as income when there is reasonable assurance that the Company has complied and will continue to comply with all of the conditions and is recognized in the period incurred.

#### (q) Share based payment transactions

The Group recognises the fair value of options and performance rights granted to directors, employees and consultants as remuneration as an expense on a pro-rata basis over the vesting period in the statement of profit or loss and other comprehensive income with a corresponding adjustment to equity.

The Group provides benefits to directors, employees and consultants of the Group in the form of share based payment transactions, whereby directors, employees and consultants render services in exchange for shares or rights over shares (“equity-settled transactions”). The cost of these equity-settled transactions with directors, employees and consultants is measured by reference to fair value at the date they are granted. The fair value is determined using the Black-Scholes or Monte Carlo option pricing model.

#### (r) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit and loss is the tax payable on the taxable income using applicable income tax rates enacted or substantially enacted as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

## Notes to the financial statements (continued)

### 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Where temporary differences exist in relation to investments in subsidiaries and associates, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Research and development expenditure tax offsets receivable under Section 73Q of the Income Tax Assessment Act are recognised upon lodgement of the income tax return, when the Company has made the required election.

#### (s) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

#### (t) Financial Instruments

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and are solely principal and interest. All other financial instrument assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income.

For financial liabilities, the portion of the change in fair value that relates to the Group's credit risk is presented in other comprehensive income. Hedge accounting requirements align the accounting treatment with the Group's risk management activities. The Group does not currently have any impaired financial assets, financial liabilities with changes in fair value due to credit risk presented in other comprehensive income, or financial instruments requiring hedge accounting.

#### *Impairment of financial assets*

Financial assets may be impaired based on an expected credit loss model to recognise an allowance. Such impairment is measured in a way that reflects: (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (b) the time value of money; and (c) 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.

#### (u) Classification of comparatives

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

## Notes to the financial statements (continued)

### 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (v) Assets classified as held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss and other comprehensive income.

All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

#### (w) Going Concern

This financial report has been prepared on the basis of going concern.

The Group incurred a net loss of \$14,361,706 (2022: loss of \$4,228,628), operating cash outflows of \$7,380,500 (2022: outflow of \$4,867,307) and investing cash outflows of \$45,609,774 (\$110,130). These cash outflows were funded by existing cash and financing cash inflows of \$13,250,049 (2022: \$43,008,117). The cash flow projections of the Group indicate that it may require additional capital to meet planned but uncommitted exploration and investment activities. On 4 August 2023, the Company completed a placement raising \$10,000,000 by the issue of 400,000,000 ordinary shares at \$0.025 each with a 1:2 attaching option exercisable at \$0.06 expiring two years from the date of issue. The shares were issued in two tranches with tranche one comprising 400,000,000 ordinary shares and 290,746,707 options issued on 4 August 2023 and 11 August 2023 respectively; and tranche two comprising 109,253,294 options was issued on 20 September 2023 following shareholder approval at a general meeting on 19 September 2023.

The Group is considered a going concern on the basis that it has funds more than its forecasted committed operating costs and capital commitments for the 12 months from the date of signing this financial report.

## Notes to the financial statements (continued)

### 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these Financial Statements the Group has been required to make certain estimates and assumptions concerning future occurrences. There is an inherent risk that the resulting accounting estimates will not equate exactly with actual events and results.

#### Significant accounting estimates and assumptions

The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within this financial report are:

##### *Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Fair values of share options are determined using the Black-Scholes and Monte Carlo model.

##### *Impairment of security bond*

The Group paid a \$483,674 (ZAR 5,574,974) mining rehabilitation bond to secure access to the Kangwane South project in 2017. Following the decision to dispose of the Kangwane South Project and seek refund of this bond, the directors considered a range of potential scenarios and their associated probabilities and expected time frames. Given the timeframe that has elapsed, the directors have decided to provide fully for the recoverability of the bond and have recognised a \$483,674 (2022: \$178,463 or 35.6%) impairment provision. Recovery of this security bond is progressing with documents lodged with the South African government.

##### *Fair value of demerger*

As set out in Note 28, there was a demerger of the Gold-Copper Projects in October 2021. The fair value of the Diablo demerger is based on the closing share price 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 \$786,905. 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.

##### *Acquisition of Prairie Lithium Corporation*

On 24 March 2023, the Company acquired all the issued capital of Prairie Lithium Corporation ("Prairie"), a Canadian registered company.

##### *Consideration*

As consideration for the acquisition, the Company agreed to issue the shareholders of Prairie:

- Canadian \$ CAD 40,000,000 cash;
- 248,461,073 fully paid ordinary shares; and
- 251,538,925 Exchangeable Shares (refer note 15 for terms and conditions).

Some shareholders of Prairie were subject to the following voluntary escrow requirements:

- Three, six and nine months for one-third of shareholding each; or
- Twelve months for the full shareholding.

The Group has acquired a subsidiary during the period and has determined that AASB 3 'Business Combinations' does not apply in accounting for the acquisition as the integrated set of activities and assets acquired were not substantive and do not meet the definition of a business. Accordingly, the Company has accounted for the acquisition as an asset acquisition.

## Notes to the financial statements (continued)

### 3 INCOME

	2023 \$	2022 \$
Interest received	945,940	28,498
Other	4,102	-
<b>Total revenue</b>	<b>950,043</b>	<b>28,498</b>

### 4 LOSS BEFORE INCOME TAX

#### (a) Individually significant items in administrative expenses include:

Accounting and administration fees	74,422	69,229
Audit fees	223,262	39,104
Legal fees	1,433,117	1,066,258
Depreciation	796,964	-
Other	1,468,377	333,559
<b>Total</b>	<b>3,996,142</b>	<b>1,508,150</b>

#### (b) Exploration and evaluation:

US Lithium	73,350	218,255
Big Sandy Project	2,021,815	1,195,390
Prairie Lithium Project	1,411,845	-
<b>Total</b>	<b>3,507,010</b>	<b>1,413,645</b>

### 5 AUDITORS' REMUNERATION

Remuneration of auditor for audit or review of the consolidated financial report of the Company:

2023: Grant Thornton Australia Pty Ltd (2022: HLB Mann Judd (WA Partnership))

	83,840	39,104
Other services - compliance matters	124,583	-

## Notes to the financial statements (continued)

### 6 TAXATION

#### (a) Income tax expense/(benefit)

	2023 \$	2022 \$
Current tax	-	-
Deferred tax	-	-
	-	-

#### (b) Reconciliation of income tax expense to prima facie tax payable:

Loss before income tax expense	(13,071,508)	(4,228,628)
Tax at the Australian tax rate of 30% (2022: 30%)	(3,921,452)	(1,268,588)
Movement in unrecognised temporary differences	968,500	2,775,773
Tax effect of current year tax losses for which no deferred tax asset has been recognised/(utilisation of losses)	2,952,952	-
		(1,507,185)
Total income tax (benefit)	-	-

#### (c) Unrecognised deferred tax assets:

Timing differences	10,362,988	12,134,336
Tax losses – revenue (Australia)	7,385,268	5,865,037
Tax losses – revenue (USA)	1,720,781	506,686
Tax losses – revenue (Canada)	563,496	-
Tax losses - capital	-	(16,473)
Deferred tax assets not brought to account	20,031,533	6,355,250

An Australian income tax rate of 30% has been used because the Company is not expected to be a base rate entity when it has future taxable profits. The Group has not recognised any deferred tax assets except to the extent that they offset deferred tax liabilities.

The ability of the Group to utilise the tax losses is subject to the Company satisfying either the continuity of ownership test or the same business test.

#### (d) Franking credits

The Company has no franking credits available.

### 7 CASH AND CASH EQUIVALENTS

	2023 \$	2022 \$
Cash at bank	3,303,842	3,767,622
Funds held on trust <sup>1</sup>	-	715,385
Term deposits	-	38,500,000
	3,303,842	42,983,007

<sup>1</sup> Funds on trust relating to shares to be issued subsequent to balance date subject to shareholder approval.

### 8 TRADE & OTHER RECEIVABLES

#### CURRENT

Other receivables	1,144,810	234,709
	1,144,810	234,709

## Notes to the financial statements (continued)

### 9 EXPLORATION AND EVALUATION EXPENDITURE

	2023	2022
	\$	\$
Balance at the beginning of the period	-	-
Acquisition of Prairie Lithium (Note 29)	64,827,147	-
Foreign exchange gain/(loss)	3,048,324	-
	<b>67,875,471</b>	-

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

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

All of these criteria have been met.

### 10 PLANT AND EQUIPMENT

	2023	2022
	\$	\$
<i>Building improvements</i>		
Cost	535,301	49,749
Accumulated depreciation	(40,897)	-
	<b>494,404</b>	49,749
<i>Plant and equipment</i>		
Cost	2,698,233	-
Accumulated depreciation	(218,086)	-
	<b>2,480,147</b>	-
<i>Capital work-in-progress</i>		
Cost	737,242	-
	<b>3,711,793</b>	49,749
Total Plant and Equipment		
	<b>3,711,793</b>	49,749
Movement in:		
<i>Building improvements</i>		
Balance at the beginning of the period	49,749	-
Additions	485,552	49,749
Depreciation expense	(40,897)	-
Balance at the end of the period	<b>494,404</b>	49,749
<i>Plant and equipment</i>		
Balance at the beginning of the period	-	-
Additions	2,698,233	-
Depreciation expense	(218,086)	-
Balance at the end of the period	<b>2,480,147</b>	-

## Notes to the financial statements (continued)

### 11 RIGHT OF USE ASSET

	2023	2022
	\$	\$
Cost	3,399,475	69,286
Accumulated depreciation	(915,048)	-
	<b>2,484,427</b>	69,286
Movement in right of use asset:		
Balance at the beginning of the period	69,286	-
Additions	3,330,189	69,286
Depreciation expense	(915,048)	-
Balance at the end of the period	<b>2,484,427</b>	69,286

### 12 OTHER FINANCIAL ASSETS

	2023	2022
	\$	\$
<b>NON CURRENT</b>		
Mining rehabilitation bond – South Africa (i)	-	322,838
Security bond – leased premises	458,073	290,390
Unlisted investment at fair value	1,949,653	-
Other financial assets	20,000	20,000
	<b>2,427,726</b>	633,228

#### (i) Mining rehabilitation bond – South Africa

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 was revalued to \$483,674 at 30 June 2023 (2022: \$501,301) due to movements in the AUD:ZAR exchange rate, before a \$483,671 (2022: \$178,463) loss allowance was 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.

#### (ii) Unlisted investment

As at 30 June 2023, the Group holds 2,049,181 shares in Midwest Lithium AG ("Midwest"). Whether the 11.5% equity investment in Midwest is a financial asset or associate is a key judgment. The Directors have determined that the Company does not have significant influence over Midwest and has been accounted for as a financial asset. The carrying value of the investment represents the initial transaction value on the date of investment, being 7 November 2022. The Directors have determined that there is no movement in the fair value of the investment between 7 November 2022 and 30 June 2023 as there were no further capital raisings by Midwest and no significant exploration activities that could affect Midwest's valuation.

### 13 TRADE AND OTHER PAYABLES

#### CURRENT

	2023	2022
	\$	\$
Unsecured liabilities:		
Trade payables	1,212,021	295,848
Other payables	347,282	228,304
	<b>1,559,303</b>	524,152

## Notes to the financial statements (continued)

### 14 LEASE LIABILITY

Carrying value

	2023 \$	2022 \$
Current	646,451	13,083
Non-Current	2,050,177	56,204
	<b>2,696,628</b>	<b>69,287</b>

The Group has leases for the corporate offices, lithium research centre and mobile equipment. Each lease is reflected in the consolidated statement of financial position as a fixed asset or right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or rate are excluded from the initial measurement of the lease liability and asset. The Group classifies its right-of-use assets in a consistent manner to its plant and equipment (see note 10).

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over the lithium research centre, the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure right-of-use assets and incur maintenance fees on such items in accordance with the lease contracts.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised in the consolidated statement of financial position at 30 June 2023:

Right-of-use asset	No of right-of-use assets leased	Range of remaining term	Average remaining lease term	No of leases with extension options	No of leases with options to purchase	No of leases with variable payments linked to an index	No of leases with termination options
Corporate office	1	4 years	4 years	-	-	1	1
Lithium Research Centre	1	4 years	4 years	1	-	1	1
Mobile Equipment	3	2 to 3 years	2.3 years	-	3	-	-

The lease liabilities are secured by the related underlying assets. Future lease payments at 30 June 2023 are set out in note 23.

### 15 CONTRIBUTED EQUITY

Contributed equity consists of the following:

Issued capital	139,453,346	113,594,860
Exchangeable shares	12,576,946	-
<b>Total</b>	<b>152,030,292</b>	<b>113,594,860</b>

## Notes to the financial statements (continued)

Ordinary shares	Number of shares	Number of shares	2023	2022
	2023	2022	\$	\$
<b>Opening balance</b>	2,233,496,990	1,656,034,601	113,594,860	79,616,174
Placement – November 2021	-	173,333,332	-	13,000,000
Placement – April 2022	-	185,600,000	-	23,200,000
Issue of shares on exercise of options	7,079,078	218,529,057	219,070	8,314,056
Capital reduction (Note 28)	-	-	-	(5,895,320)
Placement – July 2022	171,428,571	-	12,000,000	-
Acquisition of Prairie Lithium (Note 29)	248,461,073	-	12,423,054	-
Share purchase plan	58,710,998	-	2,641,995	-
Issue of shares on exercise of performance rights	30,500,000	-	-	-
Transaction cost of share issues	-	-	(1,425,639)	(4,640,050)
<b>Closing balance</b>	<b>2,749,676,710</b>	<b>2,233,496,990</b>	<b>139,453,340</b>	<b>113,594,860</b>

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of the winding up of the Company ordinary shareholders rank after creditors and are fully entitled to any net proceeds on liquidation. Ordinary shares have no par value, and the Company does not have a limited amount of authorised capital. At 30 June 2023 there were 344,014,286 options to acquire fully paid ordinary shares in the Company (2022: 207,181,723).

Exchangeable shares	Number of shares	2023
	2023	\$
<b>Opening balance</b>	-	-
Acquisition of Prairie Lithium (Note 29)	251,538,925	12,576,946
<b>Closing balance</b>	<b>251,538,925</b>	<b>12,576,946</b>

Each Exchangeable Share will be exchangeable into an Ordinary Share at no cost to the holder at the option of the holder. Upon conversion, application for the quotation of these Ordinary Shares will be made. All Exchangeable Shares in existence on 24 March 2028 will be automatically converted into Ordinary Shares on that date.

During the period, no Exchangeable Shares were exchanged, redeemed, cancelled or forfeited.

### Special Voting Share

The Company has issued one Special Voting Share to a trustee which will hold the Special Voting Share on behalf of all holders of Exchangeable Shares in order that holders of Exchangeable Shares will be able to vote at the Company's shareholder meetings. The Special Voting Share will carry as many votes at shareholder meetings of the Company as there are exchangeable shares on issue at the voting eligibility cut-off time of the meeting. The Special Voting Share is not transferable, will not be listed and will cease to have any voting rights at meetings of the Company's shareholders once all Exchangeable Shares have been converted into Ordinary Shares.

### Options

Options issued during the year comprise those representing share based payments, which were issued to directors, consultants and brokers as set out in note 25 and 178,514,286 free attaching options exercisable at \$0.18 by 15 August 2024, which were part of the capital raising during the year.

## Notes to the financial statements (continued)

### 16 RESERVES

#### Share-based payment reserve

Opening balance  
Movement for the year  
Closing balance

#### Foreign translation reserve

Opening balance  
Foreign translation difference on translation of controlled entities  
Closing balance

	2023	2022
	\$	\$
Opening balance	15,725,497	6,795,047
Movement for the year	6,502,682	8,930,450
<b>Closing balance</b>	<b>22,228,179</b>	<b>15,725,497</b>
Opening balance	(2,185,763)	(2,239,081)
Foreign translation difference on translation of controlled entities	3,475,963	53,318
<b>Closing balance</b>	<b>1,290,200</b>	<b>(2,185,763)</b>
	<b>23,518,379</b>	<b>13,539,734</b>

#### Share-based payment reserve:

The share-based payment reserve relates to shares and share options and performance rights granted by the Company to its employees under its employee share plan and other suppliers in consideration for services rendered.

#### Foreign 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.

### 17 CONTROLLED ENTITIES

Parent entity	Percentage Interest		Country of incorporation
	2023	2022	
Arizona Lithium Limited			Australia
<b>Particulars in relation to controlled entities</b>			
ZYL Mining (SA) Proprietary Limited	100%	100%	South Africa
Oakleaf Investment Holdings (Proprietary) Limited	100%	100%	South Africa
Altius Trading 404 (Proprietary) Limited	70%	70%	South Africa
USA Lithium Limited	100%	100%	Australia
US Lithium Pty Ltd	100%	100%	Australia
New Mexico Lithium Pty Ltd	100%	100%	Australia
Big Sandy Inc	100%	100%	United States
Lordsburg Resource Inc	100%	100%	United States
Trout Creek Ranch Pty Ltd	100%	100%	Australia
Trout Creek Ranch LLC	100%	100%	United States
Prairie Lithium Corporation	100%	-	Canada
2477827 Alberta Corporation	100%	-	Canada
2477955 Alberta Corporation	100%	-	Canada

## Notes to the financial statements (continued)

### 18 PARENT ENTITY DISCLOSURES

The following details information related to the parent entity, Arizona Lithium Limited. The information presented has been prepared using consistent accounting policies as stated in note 1.

#### (a) Summary financial information

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Current assets	15,194,291	42,472,752
Total assets	96,030,123	42,865,340
Current liabilities	604,593	524,153
Total liabilities	646,907	524,153
Contributed equity	152,030,292	113,594,860
Reserves	22,228,179	15,725,497
Accumulated losses	(97,389,951)	(86,979,170)
<b>Total equity</b>	<b>76,868,520</b>	<b>42,341,187</b>
Profit/(Loss) for the year	(24,041,563)	(5,426,186)
Other comprehensive income/ (loss) for the year	-	-
<b>Total comprehensive loss for the year</b>	<b>(24,041,563)</b>	<b>(5,426,186)</b>

- (b) The parent entity had not provided any material guarantees as at 30 June 2023.
- (c) The parent entity did not have any material contingent liabilities as at 30 June 2023.
- (d) The parent entity did not have any material contractual commitments as at 30 June 2023.

## Notes to the financial statements (continued)

### 19 SEGMENT INFORMATION

During the year, the Group's operations consisted of mineral exploration in North America and corporate functions.

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 or Canadian dollars with no interest charged. There are no intragroup eliminations because assets are used across the Group and all trade payables are paid by Australian entities, with all assets, liabilities and transactions controlled from Australia. Costs of acquiring North American mineral exploration interests and exploration expenditure incurred by the Company for North American operations are allocated to the North American segments respectively.

#### (i) Segment performance

	Australia		North America		Consolidated	
	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$
Interest revenue	950,043	28,498	-	-	950,043	28,498
<b>Total revenue</b>	<b>950,043</b>	<b>28,498</b>	-	-	<b>950,043</b>	<b>28,498</b>
<b>Segment result:</b>						
Share based payment expense	(5,833,932)	(6,415,970)	-	-	(5,833,932)	(6,415,970)
Exploration and evaluation	-	(426)	(3,507,010)	(1,413,921)	(3,507,010)	(1,414,071)
Administrative expenses	(1,234,472)	(587,735)	(2,761,670)	(920,416)	(3,996,142)	(1,508,151)
Other expenses	(1,024,622)	(1,286,329)	-	6,396,171	(1,024,622)	5,109,567
<b>Loss after income tax</b>	<b>(8,093,026)</b>	<b>(8,290,460)</b>	<b>(6,268,680)</b>	<b>4,061,834</b>	<b>(14,361,706)</b>	<b>(4,228,626)</b>

#### (ii) Segment financial position

	Australia		North America		Consolidated	
	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$
Segment assets	4,695,171	43,650,009	76,429,280	474,964	81,124,451	44,124,973
Segment liabilities	(646,906)	(1,308,824)	(3,609,025)	-	(4,255,931)	(1,308,824)
<b>Segment net assets</b>	<b>4,048,262</b>	<b>42,341,185</b>	<b>72,820,255</b>	<b>474,964</b>	<b>76,868,520</b>	<b>42,816,149</b>

## Notes to the financial statements (continued)

### 20 KEY MANAGEMENT PERSONNEL COMPENSATION

#### Compensation of key management personnel

Refer to the remuneration report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2023.

	2023 \$	2022 \$
Short term employment benefit	531,698	444,094
Post-employment benefits	7,203	-
Share based payments	4,987,514	6,247,208
	<b>5,526,415</b>	<b>6,691,302</b>

### 21 RELATED PARTY TRANSACTIONS AND BALANCES

The Group's main related parties are as follows:

*a. Subsidiaries*

Interest in subsidiaries are set out in Note 17.

*b. Key management personnel*

Disclosures relating to key management personnel are set out in note 20.

*c. Transactions with related parties:*

During the year, options and performance rights were issued to directors. Disclosures relating to share based payments are set out in note 27.

Other than as set out above, there were no other transactions with KMP's during the year.

### 22 LOSS PER SHARE

#### Loss per share attributable to the ordinary equity holders of the company

	2023	2022
Basic/diluted loss per share in cents	(0.58)	(0.19)
Weighted average number of ordinary shares used in the calculation of basic/diluted loss per share	2,485,012,578	2,214,837,838
Basic/diluted loss	(14,361,706)	(4,228,628)

#### Loss per share from continuing operations attributable to the ordinary equity holders of the company

	2023	2022
Basic/diluted loss per share in cents from continuing operations	(0.58)	(0.48)
Weighted average number of ordinary shares used in the calculation of basic/diluted loss per share	2,485,012,578	2,214,837,838
Basic/diluted loss from continuing operations	(14,361,706)	(10,624,373)

The options on issue at 30 June 2023 were anti-dilutive, and therefore diluted loss per share was the same as basic loss per share.

## Notes to the financial statements (continued)

### 23 FINANCIAL INSTRUMENTS

The Group has exposure to various risks from the use of financial instruments. The Group's financial instruments consist mainly of deposits with banks, short-term investments, and accounts receivable and payable.

The main purpose of non-derivative financial instruments is to raise finance for Group operations.

#### (a) Financial risk exposure and management

Financial risks including credit risk, liquidity risk, and market risk (interest rate risk, and foreign currency risk) are managed such to maintain on optimal capital structure. The Group does not enter into derivative transactions to manage financial risks. In the current period, the Group's financial risk arises principally from cash financial assets, trade receivables and investments in unlisted entities. The Group invests its cash in term deposits and other appropriate bank accounts to obtain market interest rates.

#### (b) Capital risk management

The Group consistently monitors expenditure and adjusts expenditure and raises capital as required. The capital of the Group now consists of equity of the Group (comprising issued capital and reserves as detailed in notes 15 and 16, and accumulated losses).

#### (c) Market rate risk

##### (i) Foreign exchange risk

The Group is exposed to foreign exchange risk in relation to the acquisition of goods and services in United States Dollars (USD), Canadian Dollars (CAD) and South African Rand (ZAR). The Group does not hedge this exposure by using financial instruments. The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	2023 \$	2022 \$
<b>Financial Assets</b>		
Cash and cash equivalents (USD)	417,626	-
Cash and cash equivalents (CAD)	300,181	-
Trade and other receivables (USD)	62,359	-
Trade and other receivables (CAD)	1,013,917	-
Other financial assets (USD)	301,659	200,000
Other financial assets (CAD)	156,414	-
Other financial assets (ZAR)	-	322,838
<b>Financial Liabilities</b>		
Trade payables (USD)	411,098	229,922
Trade payables (CAD)	311,266	-
Trade payables (ZAR)	8,687	4,674
Financial liabilities (USD)	89,810	-

## Notes to the financial statements (continued)

### 23 FINANCIAL INSTRUMENTS (continued)

The following tables show the foreign currency risk on the financial assets and liabilities of the Group's operations denominated in currencies other than the presentation currency.

	<b>Net Financial Assets/(Liabilities) in \$AUD</b>			
	<b>ZAR</b>	<b>USD</b>	<b>CAD</b>	<b>Total</b>
2023	(8,687)	308,187	(11,085)	288,415
2022	318,164	(18,452)	-	299,712

In respect of the above ZAR and USD foreign currency risk exposure in existence at the reporting date a sensitivity of 10% lower (or a relative strengthening of the Australian dollar) and 10% higher (or a relative weakening of the Australian dollar) has been applied. With all other variables held constant, post tax loss and equity would have been affected as follows:

ZAR:	AUD \$868 loss; AUD \$868 gain (2022: AUD \$31,816 loss; AUD \$31,816 gain)
USD:	AUD \$30,819 gain; AUD \$30,819 loss (2022: AUD \$1,845 gain; AUD \$1,845 loss)
CAD:	AUD \$1,108 gain; AUD \$1,108 loss; (2022: Nil)

## Notes to the financial statements (continued)

### 23 FINANCIAL INSTRUMENTS (continued)

#### (ii) Interest rate risk

The following table details the Group's exposure to interest rate risk at the end of the reporting period.

	Average Interest Rate %	Floating Interest Rate \$	Fixed Interest Rate \$ Maturing within 12 months	Non-Bearing Interest \$	Total \$
<b>2023</b>					
<i>Financial assets</i>					
Cash at bank	3.00	3,303,842	-	-	<b>3,303,842</b>
Trade and other receivables		-	-	1,144,810	<b>1,144,810</b>
Other financial assets	-	-	20,000	2,407,726	<b>2,427,726</b>
		<b>3,303,842</b>	<b>20,000</b>	<b>3,552,536</b>	<b>6,876,378</b>
<i>Financial liabilities</i>					
Trade and other payables		-	-	1,559,304	<b>1,559,304</b>
Lease liability	5.50	-	56,204	-	<b>56,204</b>
		-	<b>56,204</b>	<b>1,559,304</b>	<b>1,615,508</b>
<b>2022</b>					
<i>Financial assets</i>					
Cash at bank	0.07	3,767,622	38,500,000	-	<b>42,267,622</b>
Trade and other receivables		-	-	234,709	<b>234,709</b>
Other financial assets	0.01	-	20,000	613,228	<b>633,228</b>
		<b>3,767,622</b>	<b>38,520,000</b>	<b>847,937</b>	<b>43,135,559</b>
<i>Financial liabilities</i>					
Trade and other payables		-	-	524,152	<b>524,152</b>
Lease liability	6.00	-	69,286	-	<b>69,286</b>
		-	<b>69,286</b>	<b>524,152</b>	<b>593,438</b>

#### Sensitivity analysis

At 30 June 2023, the effect on the Group's loss and equity as a result of changes in the interest rates, with all other variables remaining constant, would be as follows:

	2023 Interest rate risk		2022 Interest rate risk	
	+ 1.0%	-1.0%	+ 0.5%	-0.1%
<i>Financial assets</i>				
Cash at bank	<b>33,038</b>	<b>(33,038)</b>	22,415	(4,951)
Other financial assets	<b>200</b>	<b>(200)</b>	100	(20)
	<b>33,238</b>	<b>(33,238)</b>	22,515	(4,971)

## Notes to the financial statements (continued)

### 23 FINANCIAL INSTRUMENTS (continued)

#### (d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure that it will have sufficient cash to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of credit facilities or other fund raising initiatives.

#### *Maturities of financial liabilities*

The table below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all financial liabilities:

Contractual maturities of financial liabilities	Less than 6 months \$	6-12 months \$	Over 12 months \$
<b>2023</b>			
<b>Non-derivatives</b>			
Trade and other payables	1,559,303	-	-
Lease liability	323,225	323,225	2,050,177
<b>Total non-derivatives</b>	<b>1,882,528</b>	<b>323,225</b>	<b>2,050,177</b>
<b>2022</b>			
<b>Non-derivatives</b>			
Trade and other payables	524,152	-	-
<b>Total non-derivatives</b>	<b>524,152</b>	<b>-</b>	<b>-</b>

#### (e) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from cash and cash equivalents, trade and other receivables, and other financial assets. The maximum exposure to credit risk, excluding the value of any collateral or other security, at the end of the reporting period to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The Group has adopted the policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. Any term deposits are to be held by at least AA rated banks thereby mitigating the risk of default on these deposits. The Group's policy is to review all outstanding debtors at the end of the reporting period and an expected credit losses provision is raised. At the end of the reporting period, no expected credit losses provision was raised.

The Group does not have any material credit risk exposure to any single receivable or Company or any receivables under financial instruments entered into by the Group.

## Notes to the financial statements (continued)

### 23 FINANCIAL INSTRUMENTS (continued)

The Group paid a \$483,674 (ZAR 5,574,974) mining rehabilitation bond to secure access to the Kangwane South project in 2017. Following the decision to dispose of the Kangwane South Project and seek refund of this bond, the directors considered a range of potential scenarios and their associated probabilities and expected time frames. Given the timeframe that has elapsed, the directors have decided to provide fully for the recoverability of the bond and have recognised a \$483,674 (2022: \$178,463 or 35.6%) impairment provision. Recovery of this security bond is progressing with documents lodged with the South African government. While this bond is held by a financial intermediary to mitigate against the risk of loss, this factor has been incorporated in the calculation of the impairment provision.

#### (f) Net fair value

The carrying amount of financial assets and financial liabilities recorded in the financial statements is considered a reasonable approximation of their respective net fair values.

### 24 NOTES TO STATEMENT OF CASH FLOWS

#### (a) Reconciliation of Cash

For the purpose of the statement of cash flow, cash includes cash on hand and at bank.

Cash at the end of the financial year is reconciled to the related items in the statement of financial position as follows:

	2023 \$	2022 \$
Cash	3,303,842	42,983,007

#### (b) Reconciliation of (Loss) After Income Tax to Net Cash (Used In) Operating Activities

Loss after income tax	(14,361,706)	(4,228,628)
Add/(less) non-cash items:		
Net exchange differences	(177,881)	(72,085)
(Gain on) / Impairment of financial asset	305,211	(5,683)
Share based payment expense	5,833,932	6,415,970
Depreciation	796,964	-
Finance expense	157,547	-
Profit on demerger	-	(6,396,171)
Net cash used in operating activities before change in assets and liabilities	(7,445,933)	(4,286,597)
Change in assets and liabilities:		
(Increase)/Decrease in receivables	(910,101)	(182,644)
(Increase) in prepayments	(21,388)	(140,272)
(Increase) in other financial assets	-	(269,816)
Increase/ (decrease) in payables	1,035,152	12,022
<b>Net cash (used in) operating activities</b>	<b>(7,342,270)</b>	<b>(4,867,307)</b>

## Notes to the financial statements (continued)

### 24 NOTES TO STATEMENT OF CASH FLOWS (continued)

#### (c) Financing Facilities

There were no financing facilities in place at the end of the period (2022: Nil) other than a credit card facility with a \$20,000 limit that is repaid in full monthly and secured by a \$20,000 deposit.

### 25 EVENTS OCCURRING AFTER THE REPORTING PERIOD

No events that would have a significant effect on the financial report have occurred since the end of the reporting period, other than:

- On 4 August 2023, the Company completed a placement raising \$10,000,000 by the issue of 400,000,000 ordinary shares at \$0.025 each with a 1:2 attaching option exercisable at \$0.06 expiring two years from the date of issue. The shares were issued in two tranches with tranche one comprising 400,000,000 ordinary shares and 290,746,707 options issued on 4 August 2023 and 11 August 2023 respectively; and tranche two comprising 109,253,294 options to be issued subject to shareholder approval.
- On 19 September 2023, shareholders at a general meeting approved the issue of the tranche two and broker options and ratified the prior issue of securities under tranche one of the placement completed on 4 August 2023.

### 26 CONTINGENT LIABILITIES AND COMMITMENTS

There are no annual exploration expenditure commitments on the Group's exploration tenements however the Group is required to pay an annual renewal fees of \$465,950 (2022: \$168,246).

Except for the above, as at the end of the reporting period, the Directors were not aware of any other contingent liabilities or contingent assets.

## Notes to the financial statements (continued)

### 27 SHARE BASED PAYMENTS

	2023 \$	2022 \$
<b>Share based payments in the Statement of Profit or Loss and Other Comprehensive Income</b>		
Share based payments for directors expensed	(4,987,514)	(6,209,690)
Share based payments for other employees and advisors	(177,668)	(206,280)
<b>Total</b>	<b>(5,833,932)</b>	<b>(6,415,970)</b>
<b>Share based payments recognised as a capital raising cost</b>		
Issue of options to joint lead managers for the capital raisings	(668,750)	(2,514,480)

The following share options and performance rights were issued and recognised during 2023:

- 25,000,000 \$0.18 Lead Manager options expiring 15/08/2024 with a total value of \$668,750 were recognised during the half year as a capital raising cost.
- 111,500,000 performance rights were issued to directors on 15/08/2022 following shareholder approval at a general meeting held on 14/07/2022 as follows:

Tranche	Performance Rights #	Vesting Condition	Expiry Date
Class A	26,000,000	Successful commercial operation of the research facility in Phoenix, Arizona to process ore from the Big Sandy Lithium Project and produce lithium to a market acceptable standard with a minimum production of 20kgs of LCE per month for two consecutive months.	3 years from the date of issue
Class B	28,500,000	Completion of a successful Scoping Study for the Big Sandy Lithium Project	3 years from the date of issue
Class C	28,500,000	Announcement to the ASX of the completion of a profitable Preliminary Feasibility Study for the Big Sandy Lithium Project	4 years from the date of issue
Class D	28,500,000	Announcement to the ASX of the completion of a profitable Bankable Feasibility Study for the Big Sandy Lithium Project	5 years from the date of issue

- 11,000,000 \$0.12 options expiring 27/03/2027 were issued to the executive director in March 2023. These options were valued at \$269,987 of which \$132,287 was expensed in 2023 in accordance with the vesting periods.
- 9,750,000 \$0.12 options expiring 27/03/2027 were issued to management in April 2023. The options were valued at \$223,973 of which \$98,059 was expensed in 2023 in accordance with the vesting periods.
- 9,750,000 \$0.12 options expiring 19/05/2027 were issued to management in May 2023. The options were valued at \$270,978 of which \$98,358 was expensed in 2023 in accordance with the vesting periods.

## Notes to the financial statements (continued)

### 27 SHARE BASED PAYMENTS (continued)

- 240,000,000 performance rights were issued to directors on 27/03/2023 following shareholder approval at a general meeting held on 14/03/2023 as follows:

Tranche	Performance Rights #	Vesting Condition	Expiry Date
Class A	84,000,000	Announcement to the ASX of the completion of a profitable Preliminary Feasibility Study (PFS) for the Prairie Lithium project.	3 years from the date of issue
Class B	36,000,000	Announcement of an upgraded resource of at least 1 million tonnes of Lithium Carbonate Equivalent (LCE) over the Prairie Lithium project from an inferred to an indicated resource.	3 years from the date of issue
Class C	60,000,000	Market capitalisation of the Company to exceed 500 million AUD based on a 20 day VWAP.	4 years from the date of issue
Class D	60,000,000	Announcement to the ASX of the production of a minimum of 1,000kgs of LCE from the Prairie Lithium project.	5 years from the date of issue

Share options issued during the 2023 year vested as follows:

- 25% immediately;
- 25% after 6 months;
- 25% after 12 months; and
- 25% after 18 months.

The Class B Performance Rights issued on 15/08/2022 vested on 18/10/2022.

The following share options were issued and recognised during 2022:

- 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 (Series 1).
- 70,000,000 \$0.06 share options expiring 11/10/2024 were issued to the 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 (Series 2).
- 20,000,000 \$0.12 Lead manager options expiring 10/11/2022 with a total value of \$724,200 were recognised during the year as a capital raising cost and issued in November 2021 (Series 3).
- 18,000,000 \$0.18 Lead manager options expiring 15/08/2024 with a total value of \$1,790,280 were recognised during the year as a capital raising cost and issued in August 2022 (Series 4).

All share options issued during the 2022 year vested immediately.

## Notes to the financial statements (continued)

### 27 SHARE BASED PAYMENTS (continued)

Set out below are the summaries of Options issued as share based payments.

Issue Date	Expiry Date	Exercise Price (\$)	Balance 01/07/2022	Granted during the year	Expired or change due to resigning	Balance 30/06/23	Number vested & exercisable
7/09/2018	7/09/2022	0.04	47,250,000	-	(47,250,000)	-	-
7/09/2018	7/09/2022	0.05	47,250,000	-	(47,250,000)	-	-
29/04/2020	29/04/2023	0.012	10,000,000	-	(10,000,000)	-	-
24/08/2020	7/9/2022	0.04	5,000,000	-	(5,000,000)	-	-
3/12/2020	2/12/2022	0.02	15,000,000	-	(15,000,000)	-	-
1/4/2021	1/4/2023	0.05	1,000,000	-	(1,000,000)	-	-
1/4/2021	1/4/2023	0.06	1,000,000	-	(1,000,000)	-	-
1/4/2021	1/4/2023	0.07	1,000,000	-	(1,000,000)	-	-
20/4/2021	1/4/2023	0.05	666,667	-	(666,667)	-	-
20/4/2021	1/4/2023	0.06	666,667	-	(666,667)	-	-
20/4/2021	1/4/2023	0.07	666,667	-	(666,667)	-	-
11/10/2021	11/10/2024	0.06	20,000,000	-	-	20,000,000	20,000,000
11/10/2021	11/10/2024	0.06	2,000,000	-	-	2,000,000	2,000,000
16/11/2021	11/10/2024	0.06	70,000,000	-	-	70,000,000	70,000,000
16/11/2021	11/10/2024	0.06	20,000,000	-	-	20,000,000	20,000,000
15/8/2022	15/5/2024	0.18	-	18,000,000	-	18,000,000	18,000,000
15/8/2022	15/5/2024	0.18	-	25,000,000	-	25,000,000	25,000,000
27/3/2023	27/3/2027	0.12	-	11,000,000	-	11,000,000	2,750,000
28/4/2023	27/3/2027	0.12	-	9,750,000	-	9,750,000	2,437,500
19/5/2023	19/5/2027	0.12	-	9,750,000	-	9,750,000	2,437,500
			248,500,000	73,500,000	(129,500,001)	195,500,000	162,625,000
Weighted average exercise price (\$)			0.0492	0.1551	-	0.0977	0.0945

The weighted average remaining contractual life of share-based payment options outstanding as at 30 June 2023 was 1.24 years (2022: 1.24 years).

The weighted average fair value of options outstanding as at 30 June 2023 was \$0.0545 (2022: \$0.0386).

## Notes to the financial statements (continued)

### 27 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 valuations of all share options issued during the year or prior year that affects the current year expense were as below, with nil dividend yield expected:

	Series 1	Series 2	Series 3	Series 4	Series 5
<b>Measurement date</b>	8/4/2022	25/7/2022	27/3/2023	26/4/2023	15/5/2023
<b>Issue date</b>	15/8/2022	15/8/2022	27/3/2023	28/4/2023	19/5/2023
<b>Expiry date</b>	15/8/2024	15/8/2024	27/3/2027	27/3/2027	19/5/2023
<b>Expected volatility (%)</b>	100%	100%	100%	100%	100%
<b>Risk-free interest rate (%)</b>	2.15%	2.69%	2.21%	2.77%	3.09%
<b>Expected life of options (years)</b>	2.00	2.00	4.00	4.00	4.00
<b>Underlying share price</b>	\$0.185	\$0.078	\$0.046	\$0.044	\$0.05
<b>Option exercise price</b>	\$0.18	\$0.18	\$0.12	\$0.12	\$0.12
<b>Value of option</b>	\$0.09946	\$0.02675	\$0.02297	\$0.02297	\$0.02779
<b>Number of options issued or expected to be issued</b>	18,000,000	25,000,000	11,000,000	9,750,000	9,750,000
<b>Value of options</b>	\$1,790,280	\$668,750	\$269,940	\$223,957	\$270,952
<b>Amount expensed during 2023</b>	-	-	\$132,287	\$98,358	\$98,358
<b>Amount recognised as capital raising cost during 2023</b>	-	\$668,750	-	-	-

## Notes to the financial statements (continued)

Set out below are the summaries of performance rights issued as share based payments.

Tranche	Expiry Date	Issue Date	Balance 01/07/2022	Granted during the year	Exercised	Balance 30/06/23	Number vested & exercisable	Fair value
A	15/08/2022	15/08/2025	-	26,000,000	-	26,000,000	-	\$0.085
B	15/08/2022	15/08/2025	-	28,500,000	(28,500,000)	-	-	\$0.085
C	15/08/2022	15/08/2026	-	28,500,000	-	28,500,000	-	\$0.085
D	15/08/2022	15/08/2027	-	28,500,000	-	28,500,000	-	\$0.085
A	23/09/2022	15/08/2025	-	10,000,000	-	10,000,000	-	\$0.083
B	23/09/2022	15/08/2025	-	2,000,000	(2,000,000)	2,000,000	-	\$0.083
C	23/09/2022	15/08/2026	-	9,000,000	-	9,000,000	-	\$0.083
D	23/09/2022	15/08/2027	-	9,000,000	-	9,000,000	-	\$0.083
A	27/03/2023	14/03/2026	-	84,000,000	-	84,000,000	-	\$0.05
B	27/03/2023	14/03/2026	-	36,000,000	-	36,000,000	-	\$0.05
C	27/03/2023	14/03/2027	-	60,000,000	-	60,000,000	-	\$0.0391
D	27/03/2023	14/03/2028	-	60,000,000	-	60,000,000	-	\$0.05
			-	381,500,000	(30,500,000)	351,000,000	-	

The weighted average remaining contractual life of share-based payment performance rights outstanding as at 30 June 2023 was 3.36 years (2022: Nil years).

The weighted average fair value of performance rights outstanding as at 30 June 2023 was \$0.059 (2022: \$Nil).

The fair values of the performance rights issued is the underlying share price on the date of approval with the exception of Tranche C (expiring 27/03/2027) which was valued using the binomial model to take into account the market-based vesting condition.

## Notes to the financial statements (continued)

### 28 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:

	<b>31 December 2021</b>
	<b>\$</b>
Fair value of Gold-Copper Projects demerger <sup>(i)</sup>	6,682,225
Carrying value of net assets	(286,054)
Net fair value gain	<u>6,396,171</u>

<sup>(i)</sup> The fair value of the Diablo demerger is based on the closing share price 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 \$786,905. 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.

## Notes to the financial statements (continued)

### 29 ACQUISITION OF PRAIRIE LITHIUM PLC

On 24 March 2023, the Company acquired all the issued capital of Prairie Lithium Corporation (“Prairie”), a Canadian registered company.

#### *Consideration*

As consideration for the acquisition, the Company agreed to issue the shareholders of Prairie:

- Canadian dollars 40,000,000 cash;
- 248,461,073 fully paid ordinary shares; and
- 251,538,925 Exchangeable Shares (refer note 15 for terms and conditions).

Some shareholders of Prairie were subject to the following voluntary escrow requirements:

- Three, six and nine months for one-third of shareholding each; or
- Twelve months for the full shareholding.

#### *Accounting standard applied*

The acquisition of Prairie has been accounted for as an asset acquisition. The acquisition does not meet the definition of a business in accordance with AASB 3 Business Combinations on the basis that the main assets are exploration tenements in the same geographic area, not revenue generating and, no internal processes. As such the acquisition has been accounted for as a share-based payment transaction whereby fair value of consideration is allocated to net identifiable asset acquired on a relative fair value basis.

The Company determined that they could not readily estimate the fair value of the asset acquired. The acquisition was measured in reference to the shares issued using market value of shares at acquisition date being \$0.05 each.

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

	A\$
<i>Fair value of consideration paid:</i>	
248,461,073 Ordinary Fully Paid Shares	12,423,054
251,538,925 Exchangeable Shares	12,576,946
Cash (CAD 40 million)	43,956,044
	<hr/> 68,956,044 <hr/>
<i>Fair value of net identifiable assets acquired:</i>	
- Cash	3,173,157
- Other assets	955,740
- Exploration and evaluation expenditure	64,827,147
	<hr/> 68,956,044 <hr/>

## Directors' Declaration

- 1) In the opinion of the Directors of Arizona Lithium Limited:
  - a) the financial statements and notes, set out on pages 25 to 61 are in accordance with the Corporations Act 2001, including:
    - (i) compliance with Accounting Standards, which, as stated in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Reporting Standards (IFRS); and
    - (ii) giving a true and fair view of the financial position as at 30 June 2023 and of the performance for the year ended on that date of the Group;
  - b) there are reasonable grounds to believe that the Company 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 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors:



**Mr Barnaby Egerton-Warburton**

Non-Executive Chairman

Dated at Perth this 26<sup>th</sup> day of September 2023

## Independent Auditor's Report

### To the Members of Arizona Lithium Limited

#### Report on the audit of the financial report

##### Opinion

We have audited the financial report of Arizona Lithium Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

##### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<b>Acquisition of Prairie Lithium (Note 29)</b>	
<p>On 24 March 2023, the Group acquired all the issued capital of Prairie Lithium Corporation (“Prairie”), a Canadian registered company. Under the transaction, the shareholders of PLC received \$40,000,000 (CAD) in cash, 248,461,073 fully paid ordinary shares in AZL and 251,538,925 Exchangeable Shares in AZL.</p> <p>The Group is required to assess this transaction under AASB 3 <i>Business Combinations</i>. The difference in the accounting for the acquisition as a business or an asset acquisition is significant and could impact the recognition and measurement of amounts reported in the consolidated financial statements.</p> <p>This area is a key audit matter due to the significance of the acquisition, the level of judgement required in determining the accounting approach as either a business combination in accordance with AASB 3 <i>Business Combinations</i> or an asset acquisition.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• obtaining managements paper on the transaction and application of the applicable accounting standards.</li> <li>• reading through the share purchase agreement to understand the structure, key terms, and conditions and the nature of the purchase consideration.</li> <li>• challenging management’s judgements regarding meeting the definition of a “business” under AASB 3.</li> <li>• auditing the fair values of the net identifiable assets acquired; and</li> <li>• assessing the Group’s disclosures of the quantitative and qualitative considerations in relation to the business combination, by comparing these disclosures to our understanding of the acquisition and the requirements of the accounting standards.</li> </ul>
<b>Going Concern (Note 1(w))</b>	
<p>As described in Note 1(w) of the financial report, the financial statement have been prepared on a going concern basis.</p> <p>The cash flow forecasts involve judgements and estimations based on management’s view of business operations, expected growth, and market conditions.</p> <p>Assessing the appropriateness of the Group’s basis of preparation of the financial statements on a going concern basis required judgement in assessing the Group’s forecast cash flows and/or funding for a period of at least 12 months from the date of signing of the financial statements. The availability of sufficient cash flows and/or funding is critical to the ongoing viability of the business and, as such, was a significant aspect of our audit.</p> <p>This is a key audit matter due to the significance of the going concern consideration, and the extent of auditor attention and effort involved.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• obtaining an understanding of the forecasting process undertaken by management;</li> <li>• assessing the ability of management to prepare accurate budgets and forecasts based on past results;</li> <li>• reviewing the assumptions used by the Directors in their assessment for consistency and appropriateness in accordance with ASA 570 <i>Going Concern</i>;</li> <li>• evaluating the consistency of key inputs in the cash flow forecast compared to other financial and operational information;</li> <li>• reviewing and considering other information, including minutes of meetings and subsequent events, and incorporating them into our analysis and discussions with management;</li> <li>• challenging management’s assumptions in the cash flow forecast for the period;</li> <li>• considering the availability of financing and other working capital options available to the Group to confirm the entity is able to pay its debts as and when they fall due;</li> <li>• verifying forecasted post-year-end cash flows have been received; and</li> <li>• assessing the appropriateness of the related financial statement disclosures.</li> </ul>

### **Information other than the financial report and auditor's report thereon**

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Directors for the financial report**

The Directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1\\_2020.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf). This description forms part of our auditor's report.

### **Report on the remuneration report**

#### **Opinion on the remuneration report**

We have audited the Remuneration Report included in pages 16 to 22 of the Directors' report for the year ended 30 June 2023.

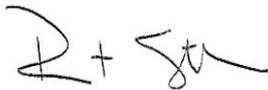
In our opinion, the Remuneration Report of Arizona Lithium Limited, for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001*.

## Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



B P Steedman  
Partner – Audit & Assurance

Perth, 26 September 2023

## Corporate Governance

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has turned to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4<sup>th</sup> Edition).

The 2023 corporate governance statement was approved by the Board on 26<sup>th</sup> September 2023 and is current as at 26<sup>th</sup> September 2023. A description of the Group's current corporate governance practices is set out in the Group's Corporate Governance Statement which can be viewed at [www.arizonalithium.com/corporate-governance/](http://www.arizonalithium.com/corporate-governance/).

## ASX ADDITIONAL INFORMATION

The following information is based on share registry information processed up to 21 September 2023.

### Ordinary Share Capital

3,038,420,030 shares are held by 18,080 individual holders.

### Exchangeable Shares

206,525,957 exchangeable shares are held by 23 individual holders.

### Voting Rights

The voting rights attaching to ordinary shares are that on a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote. Options do not carry any voting rights.

### Restricted Securities

Class	Number	Escrow End Date
Shares	44,387,492	27/09/2023
Shares	45,732,569	27/12/2023
Shares	4,096,897	27/03/2024
Shares	62,052,690	24/03/2004
<b>Total</b>	<b>156,269,648</b>	

### Distribution of Holders of Equity Securities – Fully Paid Ordinary Shares

Holdings Range	Holders	Number of Shares
1 – 1,000	274	53,370
1,001 – 5,000	1,805	6,731,201
5,001 – 10,000	2,767	21,615,591
10,001 – 100,000	9,550	374,929,470
100,001 and over	3,693	2,791,360,046
<b>Total</b>	<b>18,089</b>	<b>3,194,689,678</b>

### Distribution of Holders of Equity Securities – Listed Options at \$0.05 expiring 10 August 2025

Holdings Range	Holders	Number of Options
1 – 1,000	1	143
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	2	200,000
100,001 and over	161	415,799,857
<b>Total</b>	<b>164</b>	<b>416,000,000</b>

### Distribution of Holders of Equity Securities – Listed Options at \$0.18 expiring 15 August 2024

Holdings Range	Holders	Number of Options
1 – 1,000	2	4
1,001 – 5,000	2	9,994
5,001 – 10,000	3	26,897
10,001 – 100,000	77	4,344,292
100,001 and over	147	217,133,099
<b>Total</b>	<b>231</b>	<b>221,514,286</b>

## ASX ADDITIONAL INFORMATION

### Unmarketable Parcels

Holders: 10,047  
Units: 131,392,526

### On-market Buy Back

There is no current on-market buy-back.

### Substantial Shareholders

There are no substantial shareholders.

### Twenty Largest Holders of Quoted Fully Paid Ordinary Shares (Grouped)

	Holder Name	Holding	% Issued Capital
1	CITICORP NOMINEES PTY LIMITED	97,561,210	3.05%
2	MR DANNY ALLEN PAVLOVICH <PAVLOVICH FAMILY SPEC 2 A/C>	83,015,269	2.60%
3	YALLINGUP INVEST PTY LTD	51,888,888	1.62%
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	48,764,641	1.53%
5	MR LEENDERT HOEKSEMA	48,000,000	1.50%
6	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	47,313,521	1.48%
7	CORAL BROOK PTY LTD <LLOYD SUPER FUND A/C>	44,349,356	1.39%
8	SUPERHERO SECURITIES LIMITED <CLIENT A/C>	31,372,465	0.98%
9	MAVERICK AG LTD	26,326,843	0.82%
10	HAWKSBURN CAPITAL PTE LTD <METHUSELAH STRATEGIC FND A/C>	22,651,110	0.71%
11	MR ANDREW WILLIAM SPENCER & MRS BENEDICTE MARIE FRANCOISE SPENCER <SPENCER SF A/C>	21,550,916	0.67%
12	JAYVEE AND CO <CNRF9432002 A/C>	19,426,195	0.61%
13	MR AVDO TABAKOVIC	19,200,000	0.60%
14	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	17,436,060	0.55%
15	PARANOID ENTERPRISES PTY LTD	16,912,550	0.53%
16	MR HIEN QUANG TRINH <TRIVEST CAPITAL A/C>	16,603,714	0.52%
17	CITYLIGHT ASSET PTY LTD <GRAHAM SUPER FUND A/C>	16,548,159	0.52%
18	101247092 SASKATCHEWAN LTD	16,504,029	0.52%
19	SPICEME CAPITAL PTY LTD	15,000,000	0.47%
20	DANIEL KENNETH GEREN	14,497,160	0.45%
	<b>Total</b>	<b>674,922,086</b>	<b>21.13%</b>

## ASX ADDITIONAL INFORMATION

### Twenty Largest Holders of Quoted Options at \$0.05 expiring 10 August 2025 (Grouped)

	<b>Holder Name</b>	<b>Holding</b>	<b>% Issued Capital</b>
1	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	74,889,605	18.00%
2	CITICORP NOMINEES PTY LIMITED	39,640,000	9.53%
3	BILGOLA NOMINEES PTY LIMITED	18,405,321	4.42%
4	EVOLUTION CAPITAL PTY LTD	18,000,000	4.33%
5	PARANOID ENTERPRISES PTY LTD	14,000,000	3.37%
6	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED <MLPRO A/C>	13,110,395	3.15%
7	MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED <NO 1 ACCOUNT>	10,000,000	2.40%
8	BLJ TECHNOLOGIES PTY LTD	9,027,559	2.17%
9	DRM TECHNOLOGIES PTY LTD	9,027,559	2.17%
10	ALTOR CAPITAL MANAGEMENT PTY LTD <ALTOR ALPHA FUND A/C>	8,000,000	1.92%
11	GOLDEN WORDS PTY LTD	8,000,000	1.92%
12	BNP PARIBAS NOMS PTY LTD <DRP>	7,374,597	1.77%
13	GOFFACAN PTY LTD	6,500,000	1.56%
14	GIANT SKY ASIA PACIFIC LIMITED	5,814,934	1.40%
15	MR RAJIB KHAREL	5,194,223	1.25%
16	JAMBER INVESTMENTS PTY LTD <THE AMBER SCHWARZ FAM A/C>	5,000,000	1.20%
17	CERTANE CT PTY LTD <BC1>	5,000,000	1.20%
18	MR ABHISHEK PUROHIT	4,307,581	1.04%
19	VAUCLUSE INVESTMENT HOLDINGS <JIGSAW INVESTMENT A/C>	4,000,000	0.96%
20	PETTETT PTY LTD <PETTETT FAMILY A/C>	4,000,000	0.96%
	<b>Total</b>	<b>269,291,774</b>	<b>64.73%</b>

## ASX ADDITIONAL INFORMATION

### Twenty Largest Holders of Quoted Options at \$0.18 expiring 15 August 2024 (Grouped)

	Holder Name	Holding	% Issued Capital
1	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	32,977,194	14.89%
2	HUNTER CAPITAL ADVISORS P/L	17,780,320	8.03%
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	12,181,969	5.50%
4	CITICORP NOMINEES PTY LIMITED	11,418,026	5.15%
5	GOFFACAN PTY LTD	11,322,448	5.11%
6	MR MATTHEW DAVID ROBERTS	6,125,919	2.77%
7	MR CRAIG RUSSELL STRANGER	5,200,000	2.35%
8	MR GRANT GASNIER <G A GASNIER FAMILY A/C>	5,000,000	2.26%
9	MR TIM MCKENZIE-MCHARG	4,900,000	2.21%
10	EMERGING EQUITIES PTY LTD	4,200,000	1.90%
11	TWIN OAKS SUPER PTY LTD <TWIN OAKS SUPER FUND A/C>	4,000,000	1.81%
12	MR GRANT ANTHONY GASNIER <GASNIER S/F A/C>	3,550,000	1.60%
13	PAC PARTNERS SECURITIES PTY LTD	3,479,451	1.57%
14	MR AVDO TABAKOVIC	3,220,000	1.45%
15	MR PHILIP JOHN CAWOOD	3,125,000	1.41%
16	MR TRAVIS MAC UNTHANK	3,000,000	1.35%
17	MR DANNY ALLEN PAVLOVICH <PAVLOVICH FAMILY SPEC 2 A/C>	2,796,523	1.26%
18	MR DAVID VERCILLO	2,500,000	1.13%
19	MR ADRIAN THOMAS MOORE	2,400,000	1.08%
20	MR GRAEME NORMAN & MRS BERNADETTE NORMAN	2,400,000	1.08%
	<b>Total</b>	<b>141,576,850</b>	<b>63.91%</b>

### Unquoted Securities

Class	Number
Options exercisable at \$0.06 each on or before 11 October 2024	92,000,000
Options exercisable at \$0.12 each on or before 27 March 2027	20,750,000
Options exercisable at \$0.12 each on or before 19 May 2027	9,750,000
Directors Performance Rights – Class A expiring 27 March 2026	84,000,000
Directors Performance Rights – Class B expiring 27 March 2026	36,000,000
Directors Performance Rights – Class C expiring 27 March 2027	60,000,000
Directors Performance Rights – Class D expiring 27 March 2028	60,000,000
Performance Rights – Class A	36,000,000
Performance Rights – Class C	37,500,000
Performance Rights – Class D	37,500,000

## ASX ADDITIONAL INFORMATION

### Schedule of Mining Tenements

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%
Big Sandy	RL001 to RL099	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%

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%