DeSoto Resources Limited

ABN 75 658 510 242

Interim Report - 31 December 2022

DeSoto Resources Limited
Corporate directory
31 December 2022

Directors	Paul Roberts – Non-Executive Chairman Finbarr (Barry) Murphy – Non-Executive Director Christopher Swallow – Managing Director
Company Secretary	Tony Tomba
Registered office	Level 2, 10 Outram Street West Perth, Western Australia, 6005 T: +61 8 6149 7516 Email: info@desotoresources.com Web: www.desotoresources.com
Share registry	Automic Registry Services Level 2, 267 St George's Terrace Perth, Western Australia, 6000 www.automic.com.au
Auditor	HLB Mann Judd (WA Partnership) Level 4, 130 Stirling Street Perth, Western Australia, 6000
Solicitors	Steinepreis Paganin Level 4, The Read Buildings 16 Milligan Street Perth, Western Australia, 6000
Securities exchange listing	Australian Securities Exchange (ASX code: DES)

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as ‘DeSoto’ or the 'Company') consisting of DeSoto Resources Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2022 (referred to hereafter as the ‘Group’).

Directors
The following persons were directors of DeSoto Resources Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Christopher Swallow
Paul Roberts
Finbarr (Barry) Murphy

Principal activities
During the financial half-year the principal continuing activities of the consolidated entity consisted of exploring and developing mineral projects, with a focus on its Northern Territory based gold and lithium projects.

Review of operations
The loss for the consolidated entity after providing for income tax amounted to $609,109.

The following is a summary of the activities of the Company since the last annual report. It is recommended that this half-yearly report be read in conjunction with any public announcements made by the Company during the period.

Admission to the Official List of ASX Limited
DeSoto Resources Limited was admitted to the Official List of ASX Limited on Wednesday, 14 December 2022. The Company raised $10,000,000 pursuant to the offer under its prospectus dated 5 October 2022 by the issue of 50,000,000 shares at an issue price of $0.20 per share and acquired the Pine Creek project.

DeSoto commences trading on the ASX
Official quotation of Desoto’s ordinary fully paid shares commenced on Friday, 16 December 2022, under code DES.

Project overview
Pine Creek Project
The Pine Creek Project is both a gold project with known gold mineralisation and a conceptual lithium pegmatite project. It is located approximately 150 km south of Darwin and 8 km north of Pine Creek in the Northern Territory. The project consists of six granted exploration licences (covering 1,467km^2) and three exploration licence applications (covering 420km^2).

Located within the western section of the Central Domain of the Pine Creek Orogen, the Pine Creek Project lies on the northern edge of the North Australian Craton. The Project comprises Proterozoic sedimentary units of the Cosmo Supergroup which include the South Alligator and Finniss River Groups, both known to host gold mineralisation. These units are overlain by younger Cambrian Daly Basin sediments in the west and central area, but are exposed to the north and east. The granites of the Cullen Batholith intrude and underlie much of the Project area and are known to be the source of pegmatite intrusions in the Tipperary Pegmatite Field, which also partly covers the Project.

The Pine Creek Project is considered prospective for pegmatite hosted lithium and orogenic gold mineralisation. Historical drilling has identified significant gold mineralisation hosted in concealed Proterozoic basement stratigraphy along prospective structures, along with gold anomalism in surface sampling. Historically there has been no lithium exploration conducted in the Project area which is part of the Pine Creek Pegmatite Province. The lack of previous exploration focused on lithium mineralisation in the Pine Creek region provides a significant opportunity for DeSoto.

Significant changes in the state of affairs

During the financial half-year, the following significant changes occurred in the state of affairs:

- On 1 December 2022, the Company finalised the acquisition agreement with Bacchus Resources Pty Ltd through the issue of 4,000,000 shares and 1,600,000 options (exercisable at $0.35 and expiring 5 years from date of issue), in consideration for 100% of Mineral Exploration Licences EL31356, EL32148 and EL31899;
- On 1 December 2022, the Company issued 50,000,000 fully paid ordinary shares at $0.20 per share (raising A$10.0m before costs);
- On 1 December 2022, the Company issued 2,300,000 fully paid ordinary shares at $0.001 per share, to the Lead Manager of the IPO;
- On 1 December 2022, the Company issued 2,750,000 performance rights per the Management Offer contained in the prospectus; and
- On 14 December 2022, the Company was admitted to the official list of the ASX and official quotation of the company's securities commenced on 16 December 2022.

Matters subsequent to the end of the financial period

On 3 January 2023, Mineral Exploration Licence EL33225 was granted.

On 13 January 2023, Mineral Exploration Licence EL33188 was granted.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Paul Roberts
Non-Executive Chairman

10 March 2023
Perth

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of DeSoto Resources Limited for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia	**N G Neill**
10 March 2023	**Partner**

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DeSoto Resources Limited
Contents
31 December 2022

General information

The financial statements cover DeSoto Resources Limited as a consolidated entity consisting of DeSoto Resources Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is DeSoto Resources Limited's functional and presentation currency.

DeSoto Resources Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	**Principal place of business**
2nd Floor 10 Outram Street West Perth WA 6005	2nd Floor 10 Outram Street West Perth WA 6005

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 10 March 2023.

DeSoto Resources Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022

	Note	Consolidated 31 Dec 2022 $
Revenue	-	
Other income		980
Interest		2,336
Expenses		
Accounting and audit fees		(9,878)
Consultants and contractors		(76,075)
Corporate and admin costs		(192,004)
Depreciation expense	3	(34,390)
Employee benefits expense		(210,569)
Exploration expenditure		(73,779)
Finance costs	3	(3,994)
Share based payments expense		(11,736)
Loss before income tax expense		(609,109)
Income tax expense		-
Loss after income tax expense for the half-year		(609,109)
Other comprehensive income		-
Total comprehensive loss for the half-year		(609,109)
		Cents
Basic loss per share		(0.68)
Diluted loss per share		(0.68)

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

DeSoto Resources Limited
Statement of financial position
As at 31 December 2022

	Note	Consolidated 31 Dec 2022 $	Consolidated 30 Jun 2022 $
Assets			
Current assets			
Cash and cash equivalents		5,548,468	881,151
Trade and other receivables		74,697	6,226
Other	4	4,052,769	2,123
		9,675,934	889,500
Total current assets		9,675,934	889,500
Non-current assets			
Exploration and evaluation assets	5	1,185,001	12,958
Leasehold improvements		43,745	49,749
Right-of-use assets		241,275	269,660
Total non-current assets		1,470,021	332,367
Total assets		11,145,955	1,221,867
Liabilities			
Current liabilities			
Trade and other payables	6	219,369	28,026
Lease liabilities		52,015	50,351
Employee benefits		20,106	5,750
Other		-	49,749
		291,490	133,876
Total current liabilities		291,490	133,876
Non-current liabilities			
Lease liabilities		193,523	219,950
Total non-current liabilities		193,523	219,950
Total liabilities		485,013	353,826
Net assets		10,660,942	868,041
Equity			
Issued capital	7	11,233,724	1,022,650
Reserves	8	190,936	-
Accumulated losses		(763,718)	(154,609)
Total equity		10,660,942	868,041

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

DeSoto Resources Limited
Statement of changes in equity
For the half-year ended 31 December 2022

Consolidated	**Issued capital $**	**Share-Based payments Reserve $**	**Accumulated losses $**	**Total equity $**
Balance at 1 July 2022	1,022,650	-	(154,609)	868,041
Loss after income tax expense for the half-year	-	-	(609,109)	(609,109)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half-year	-	-	(609,109)	(609,109)
Transactions with owners in their capacity as owners:				
Shares issued for cash	10,460,000	-	-	10,460,000
Consideration shares issued to vendor	800,000	-	-	800,000
Share-based payments (note 8)	-	190,936	-	190,936
Share issue costs	(1,048,926)	-	-	(1,048,926))
Balance at 31 December 2022	11,233,724	190,936	(763,718)	10,660,942

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

DeSoto Resources Limited
Statement of cash flows
For the half-year ended 31 December 2022

	Note	Consolidated 31 Dec 2022 $
Cash flows from operating activities		
Payments for exploration and evaluation expensed		(36,080)
Payments to suppliers and employees		(326,401)
Interest received		2,336
Insurance recovery		980
Other - GST (outflow)		(67,326)
Other - IPO costs		(177,433)
Net cash used in operating activities		(603,924)
Cash flows from investing activities		
Investment in term deposit	4	(4,000,000)
Payments for exploration and evaluation capitalised		(144,373)
Net cash used in investing activities		(4,144,373)
Cash flows from financing activities		
Proceeds from issue of shares		10,002,300
Capital raising costs		(557,929)
Repayment of lease liabilities		(28,757)
Net cash from financing activities		9,415,614
Net increase in cash and cash equivalents		4,667,317
Cash and cash equivalents at the beginning of the financial half-year		881,151
Cash and cash equivalents at the end of the financial half-year		5,548,468

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

Note 1. Significant accounting policies

The Company was incorporated on 1 April 2022. These are the first half-year financial statements of the Company and cover the period from 1 July 2022 to 31 December 2022.

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Accounting policies and methods of computation

The principal accounting policies and methods of computation adopted in the preparation of the interim financial statements are set out either in the respective notes or below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Significant accounting judgements and key estimates

The preparation of half-year financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this half-year report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial report for the year ended 30 June 2022.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 2. Operating segments

The following table presents the profit & loss and assets & liabilities information by segment provided to the Board of Directors:

Operating segment information

Half-year ended 31 December 2022	Exploration (NT) $	Unallocated (Corporate) $	Total $
Interest income	-	2,336	2,336
Other income	-	980	980
Expenses	(73,779)	(538,646)	(612,425)
Loss before income tax expense	(73,779)	(535,330)	(609,109)
Income tax expense	-	-	-
Loss after income tax expense	(73,779)	(535,330)	(609,109)
Assets			
Segment assets	1,216,662	9,929,293	11,145,955
Total assets			11,145,955
Liabilities			
Segment liabilities	85,248	399,765	485,013
Total liabilities			485,013

Note 3. Expenses

	Consolidated 31 Dec 2022 $
Loss before income tax includes the following specific expenses:	
Finance costs	
Interest and finance charges paid/payable on lease liabilities	3,994
Finance costs expensed	3,994
Depreciation	
Right-of-use-assets	28,386
Leasehold improvements	6,004
Total depreciation	34,390

Note 4. Current assets - other

	Consolidated	
	31 Dec 2022 $	**30 Jun 2022 $**
Term deposits (> 3 months)	4,000 000	-
Prepayments	52,769	2,123
Total	4,052,769	2,123

Note 5. Non-current assets – Exploration and evaluation assets

	Consolidated	
	31 Dec 2022	30 Jun 2022
	$	$
Exploration and evaluation – at cost	1,185,001	12,958

Reconciliations
Reconciliations of the written down values at the beginning and end of the periods are set out below:

	$
Balance at 30 June 2022	12,958
Additions through asset acquisitions(i)	979,200
Expenditure during the period	192,843
Balance at 31 December 2022	1,185,001

The ultimate recoupment of the Group's exploration and evaluation assets is dependent on successful development and commercial exploitation or, alternatively, sale of the respective area.

(i) Asset Acquisition
During the period, the Company entered into an agreement with Bacchus Resources Pty Ltd to acquire certain mineral exploration licences in the Northern Territory (EL31356, EL32148 and EL31899), for consideration of 4,000,000 fully paid ordinary shares with a fair value of $0.20 per share and 1,600,000 options (exercise price of $0.35, expiring 5 years from issue date), with a fair value of $0.112 per option. The acquisition has been accounted for as an asset acquisition and the consideration has been accounted for as a share-based payment transaction using the principles of AASB 2 *Share-Based Payments.*

	$
Purchase consideration comprises:	
4,000,000 fully paid ordinary shares	800,000
1,600,000 options (exercise price $0.35, expiring 5 years from issue date)	179,200
Total	979,200

Note 6. Current liabilities – trade and other payables

	Consolidated	
	31 Dec 2022	30 Jun 2022
	$	$
Trade payables	142,474	23,246
Other payables	12,094	-
Accruals	64,801	4,780
Total	219,369	28,026

Note 7. Equity – Issued capital

	Consolidated			
	31 Dec 22 Shares	30 Jun 22 Shares	31 Dec 22 $	30 Jun 22 $
Ordinary shares - fully paid	88,950,000	32,650,000	11,233,724	1,022,650

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2022	32,650,000		1,022,650
Issue of shares - IPO	1 December 2022	50,000,000	$0.20	10,000,000
Issue of shares – Bacchus Resources Pty Ltd	1 December 2022	4,000,000	$0.20	800,000
Issue of shares – compensation to Lead Manager	1 December 2022	2,300,000	$0.20	460,000
Share issue transaction costs, net of tax		-		(1,048,926)
Balance	31 December 2022	88,950,000		11,233,724

Note 8. Equity - reserves

	Consolidated	
	31 Dec 22 $	30 Jun 22 $
Share-based payments reserve	190,936	-
	190,936	-

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration and to other parties as part of their compensation for services.

Movement in reserves
Movements in each class of reserve during the current financial half-year are set out below:

	Share-Based payments $	Total $
Balance at 1 July 2022	-	-
Value of performance rights expensed[1]	11,736	11,736
Issue of options – Bacchus Resources Pty Ltd[2]	179,200	179,200
	190,936	190,936

Note 8. Equity – reserves (cont.)

1. On 1 December 2022, the Company issued 2,750,000 performance rights with an expiry date of 1 December 2027, per the Management Offer contained in the IPO prospectus. The performance rights have been determined to have a fair value of $535,448. The performance rights with non-market vesting conditions (610,000) were valued at $122,000 ($0.20 per right), based on the IPO issue price. The performance rights with market-based vesting conditions (2,140,000) were valued at $413,448, using the Hoadley Barrier1 Model with the following assumptions:

   Underlying share price of $0.20
   Barrier of $0.33465
   Expected volatility of 100%
   Life of 5 years
   Risk free rate of 3.17%
   Fair value per right of $0.1932

2. On 1 December 2022, the Company issued 1,600,000 options as part consideration for the acquisition of certain tenements from Bacchus Resources Pty Ltd. The options were valued at $179,200 ($0.112 per option), using the Black & Scholes method with the following assumptions:

   Underlying share price of $0.20
   Expected volatility of 100%
   Life of 5 years
   Risk free rate of 3.93%
   Fair value per option of $0.112

Note 9. Related party transactions

Transaction with related parties
The following transaction occurred with related parties:

- Fractore Pty Ltd (Fractore), a company of which Dr Finbarr (Barry) Murphy is a director, purchased 50,000 IPO shares in the Company for an issue price of $0.20. Fractore also charged the company $23,802 for consulting services during the period;
- Wireless Hill Pty Ltd, a company of which Mr Paul Roberts is a director, charged the company $12,302 for consulting services during the period;
- Propel Agency Pty Ltd, a company in which Mr Christopher Swallow has a 50% ownership interest, charged the company $12,771 for design services during the period.

Note 10. Fair value measurement

This note provides information about how the Group determines fair values of various financial assets and liabilities.

Fair value of Group's financial assets and liabilities that are not measured at fair value on a recurring basis

The Directors consider that the carrying value of the financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Note 11. Contingent liabilities

There are no contingencies outstanding as at 31 December 2022.

Note 12. Events after the reporting period

On 3 January 2023, Mineral Exploration Licence EL33225 was granted.

On 13 January 2023, Mineral Exploration Licence EL33188 was granted.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

DeSoto Resources Limited
Directors' declaration
31 December 2022

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Paul Roberts
Non-Executive Chairman

10 March 2023
Perth

INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of DeSoto Resources Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of DeSoto Resources Limited ("the company") which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

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

Responsibility of the directors for the financial report

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

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Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Independence

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

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
10 March 2023

Norman Glad

N G Neill
Partner