DESOTO RESOURCES

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING 31 MARCH 2023

DeSoto Resources Limited (ASX:DES) ("DeSoto" or the "Company") is pleased to provide an update on its activities for the March 2023 quarter.

The focus during the reporting period continued to be the ramp up in exploration activities ahead of the Company's maiden drilling program in the Northern Territory as well as progressing several high-priority manganese opportunities across two continents.

Northern Territory

- First-pass rock chip sampling completed at the Fenix Project returned a **maximum gold value of 4.1g/t Au and copper values up to 6.5% Cu** in separate rock samples[1].
- Results confirmed the copper-gold-potential at Fenix with historical rock chip results including **3.5 g/t Au and 15.2% Cu.**
- New rock chip results have extended the Copperfield Target 860m NNW of historical gold rock chips.
- Soil sampling program at the Emerald Springs Anticline Target has confirmed the historical soil gold anomaly and extended the strike length to approximately 900m.
- Both the Copperfield and Emerald Springs copper-gold targets expected to be drill tested as part of the larger Fenton drilling program.
- During the reporting period, petrophysical studies were completed on historical drillcore, confirming that electrical geophysical methods are an effective exploration tool at Fenton, important to exploring large gold-bearing structures[2].
- Passive seismic and detailed ground gravity test survey completed along two 4km-long traverses at Fenton.
- Geophysical surveys, expected be completed in late April at the Fenton Gold Project, have been delayed by a longer than expected wet season, but are expected to commence in the coming weeks.
- Diamond Drilling (DD) is on schedule to take place in H2 2023 with the Company updating its drill planning to include a number of previously undrilled, shallow targets.

[1] DES ASX Announcement: Encouraging results up to 4.1g/t Au and 6.5% Cu (31st January 2023)
[2] DES ASX Announcement: Exploration Update Amended (19th January 2023)

Project Generation

- During the reporting period, the Company has continued to evaluate multiple high-potential greenfield manganese projects.
- Utilising its unique in-house project generation capabilities, the Company identified more than 5,000km^2 of greenfield ground prospective for manganese oxide and carbonate ores within two of the most prolific manganese-producing countries globally.
- The Company is seeking to add high-grade manganese exploration projects to its portfolio which are suitable for use in high-purity manganese sulphate, a critical ingredient for pre-cathode active materials used in EV batteries, which attracts a significant price premium relative to traditional steel-use manganese ores.
- High-purity manganese sulphate nanoparticles are bonded with lithium nanoparticles to make lithium manganese phosphate powder which is used as the cathode material of the lithium battery and enables the lithium battery to have high energy density, good high temperature charge and discharge cycle stability and thermal stability.
- Furthermore, the Company believes the transition to manganese-rich battery chemistries will further increase the global demand for high-purity manganese sulphate. Lithium-manganese cathodes, which contain 60% manganese content, are expected to account for 50% of the lithium-iron-phosphate-manganese cathode market by 2030[3].

CORPORATE

- Post reporting period and as outlined in its IPO Prospectus, the Company lodged its Loyalty Option Offer, a pro-rata non-renounceable entitlement issue of one (1) Option (Loyalty Option) for every two (2) Shares held by those Shareholders registered at the Record Date at an issue price of $0.01 per option[4].
- The Loyalty Option is expected to raise approximately $444,750 before costs (based on the number of Shares on issue as at the date of the Prospectus).
- The Company remains well funded with circa $9 million in cash and no debt.

EXPECTED ACTIVITIES JUNE 2023 QUARTER

- Sampling and mapping program for Shoobridge West and Shoobridge East Lithium Projects to be undertaken Q2 2023.
- Fixed loop EM and pole-dipole IP surveys to be completed over the Fenton gold prospect with 17 line-km of pole-dipole or dipole-dipole 2D IP traverses and 27.5 line-km of fixed loop EM expected to be completed.
- In advance of the Company's maiden drill campaign, drillhole planning for the Fenton and Fenix Gold Projects to be undertaken post completion of geophysical programs.
- First exploration on manganese projects expected to be undertaken Q2 2023.

[3]CPM Group
[4]DES ASX Announcement: Loyalty Option Prospectus (17th April 2023)

ABOUT DES AND PROJECTS

DeSoto is a gold and battery-metal exploration Company with a 1,887km^2 landholding located in the Northern Territory's 17 million-ounce Pine Creek gold province (Fig.1).

The Company's immediate focus is the ongoing exploration of these exciting assets with an experienced Board that uses a distinctive in-house exploration method and capability.

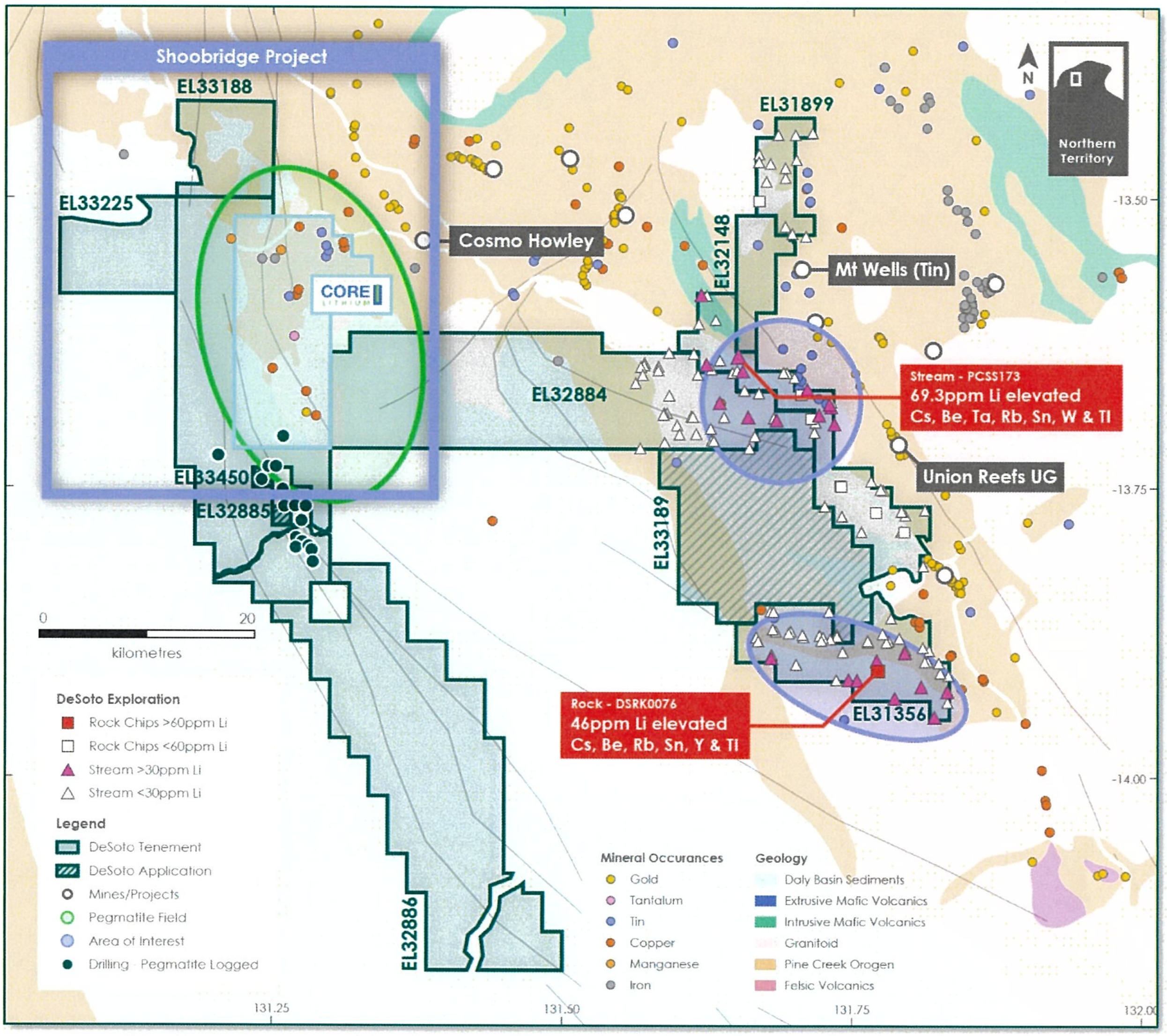

Figure 1 – DeSoto Resources Fenton and Fenix Lithium-Gold Projects and new results.

FINANCIAL POSITION

- As per ASX Listing Rule 5.3.1, a summary of the Company's exploration activities for the quarter is contained herein, with exploration expenditure incurred during the period of circa A$153k.

Project	Cash Expenditure $'000
Pine Creek Gold and Lithium Project	45
Exploration activities associated with potential new projects	108
Total	**153**

- As per ASX Listing Rule 5.3.2, there were no substantive mining production and development activities undertaken during the quarter.
- DeSoto is well funded with cash of $9.0M at 31 March 2023.
- DeSoto continues to assess various project opportunities on an ongoing basis.
- After the end of the reporting period, the Company announced a non-renounceable entitlement issue[5] of 44,475,000 Loyalty Options at an issue price of $0.01 per Loyalty Option to eligible shareholders on the basis of one (1) Loyalty Option for every two (2) shares held at the record date, to raise approximately $444,750 (before costs).
- In accordance with ASX Listing Rule 5.3.4, as the March 2023 quarter was in a period covered by a 'use of funds' statement in the IPO Prospectus, below is a comparison of the Company's actual expenditure to 31 March 2023 against the estimated expenditure in the 'use of funds' statement:

Use Of Funds	Per IPO Prospectus (2 year period)	YTD 31 March 2023[1]
Two (2) Year Exploration Expenditure: Pine Creek Project (Fenton and Fenix)	5,241,667	45,408
New Project Generation Due Diligence	80,000	14,483
Administration and Overheads	1,613,633	335,927
Capital Raising Expenses[2]	893,354	492,899
Working Capital[3]	3,052,497	107,805
Total	**$10,881,151**	**996,524**

1. Year to date (Period: 14 December 2022 to 31 March 2023).
2. YTD only includes actual costs since date of admission to the official list, per ASX Listing Rule 5.3.4.
3. To the extent that: (a) the Company's exploration activities warrant further exploration activities; or (b) the Company identifies additional acquisition or investment opportunities (including manganese and project generation opportunities described in the Prospectus), the Company's working capital will also be utilised to fund such further exploration activities and/or acquisition or investment costs (including due diligence investigations and expert's fees in relation to such acquisitions or investments) as applicable. Any amounts not so expended will be applied toward corporate and administration costs for the period subsequent to the initial two-year period following Admission.

- As per ASX Listing Rule 5.3.5 and as disclosed in Section 6.1 of the Appendix 5B, the company paid $121k to related parties, being $69k for directors salary, $20k for non-executive directors' fees, $29k for consulting fees and $3k for other corporate support costs.
- Tenement Schedule per ASX listing Rule 5.3.3:

[5] DES ASX Announcement: Loyalty Option Prospectus (17th April 2023)

Mining tenements held at the end of the quarter and their location

TENEMENT No.	LOCATION	INTEREST %	HOLDER
Pine Creek Gold and Lithium Project	NT	100%	Mangusta Minerals Pty Ltd
EL32884			
EL32885			
EL32886			
EL33188			
EL33189			
EL33225			
EL31356			
EL32148			
EL31899			
EL33450 (application)			

- Mining tenements acquired during the quarter and their location: Nil
- Mining tenements disposed during the quarter and their location: Nil
- The beneficial percentage interests held in farm-in or farm-out agreements at the end of the quarter: Nil
- The beneficial percentage interests in farm-in or farm-out agreements acquired or disposed of during the quarter: Nil

-END-

This release is authorised by the Board of Directors of DeSoto Resources Limited.

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Appendix 5B

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

Name of entity

DeSoto Resources Limited

ABN	Quarter ended ("current quarter")
75 658 510 242	31 MARCH 2023

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(108)	(151)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(208)	(394)
	(e) administration and corporate costs	(110)	(256)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	22	24
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other – IPO Costs	(18)	(194)
	Other – Insurance refund	-	1
	Other – GST inflow/(outflow)	47	(15)
1.9	**Net cash from / (used in) operating activities**	**(375)**	**(985)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	(49)	(49)
	(c) property, plant and equipment	(50)	(50)
	(d) exploration & evaluation	(45)	(182)
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (9 months) $A'000**
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(144)**	**(281)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	10,002
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(13)	(573)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (lease payments)	(14)	(42)
3.10	**Net cash from / (used in) financing activities**	**(27)**	**9,387**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	9,549	882
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(375)	(985)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(144)	(281)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(27)	9,387

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (9 months) $A'000**
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**9,003**	**9,003**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	5,003	5,549
5.2	Call deposits	4,000	4,000
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**9,003**	**9,549**

6.	**Payments to related parties of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to related parties and their associates included in item 1	121
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-
7.5	**Unused financing facilities available at quarter end**		-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(375)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(45)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(420)
8.4	Cash and cash equivalents at quarter end (item 4.6)	9,003
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	9,003
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	21.4

Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.

8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

8.8.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
Answer: N/A	

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 27 April 2023...

Authorised by: By the Board..
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.